

<i>Name of Witness</i>	James Donaldson Brown
<i>Date of Birth</i>	
<i>Address and contact details</i>	Level 6, 61 Mary St, Brisbane Qld 4000
<i>Occupation - Current</i>	Executive Director Shared Systems, Queensland Shared Systems
<i>Officer taking statement</i>	Interview by Jonathan Horton and Elizabeth Kenney
<i>Date taken</i>	4 April 2013

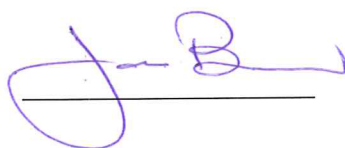
I, James Donaldson Brown, state;

1. I have provided an earlier signed statement to the Commission. I have been asked by the Commission to provide a supplementary statement to address additional matters of interest.

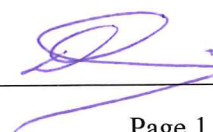
Statement of Work 4 – Forward Planning

2. The purpose of Statement of Work 4 was for IBM to undertake detailed planning and validate both the timeframe and costs for the delivery of Phase 1, the priority implementations as well as the Phase two implementations. The intent was to convert IBM's tendered best pricing (Statements of Scope) estimates into fixed price Statements of Work. Statement of Work 4 commenced early in 2008 and was finalised in late November 2008
3. Staff from the Solution Design Authority worked with IBM personnel to validate Agency requirements against the proposed Whole-of-Government build for human resource and finance

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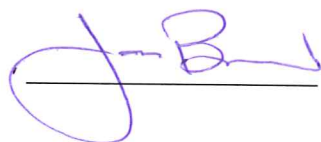
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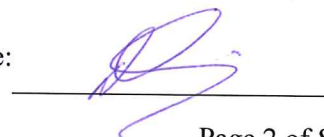
solution. This was required in order to determine Agency specific requirements i.e. those items not covered by the Whole-of-Government solution and therefore which had to be funded by each Agency.

4. On 15 August 2008 IBM presented its results arising from the deliverable of Statement of Work 4.- **refer Attachment 1**
5. IBM's 15 August 2008 outputs indicated that:
 - a. pricing was for Phase 1 and Phase 2
 - b. excluded the impacts of Department of Education and Training human resource design and plant maintenance
 - c. excluded any CorpTech or agency implementation costs
6. Further IBM's proposal suggested a set of additional services equating to an additional \$28 million which it considered to be outside of its contracted scope, but would ensure the success of the program (from its perspective).
7. The view formed by CorpTech at the time that IBM was delivering less than originally proposed and that CorpTech and Agencies were being asked to under take more work and assume greater responsibility and therefore risk as well as pay for an set of additional services which it considered to be already included in IBM's tendered price. In summary it was CorpTech view that IBM was proposing to extend the timeline by 18 months and do less at greater cost. IBM's view was that the State has increased its requirements.
8. The analysis undertaken by CorpTech also revealed that the cost differential between the two main bidders in the Invitation to Offer process had narrowed significantly following the Forward Planning activities undertaken by IBM.
9. CorpTech requested that IBM undertake some further work and refine its approach and estimates as well as the effort required by CorpTech for implementation. CorpTech requested that IBM focus on the Phase 1 – Priority implementations. An updated document was presented to CorpTech on 31 October 2008 – **Refer Attachment 2.**
10. The revised proposal which was confined to delivering upon the Phase 1 Priority

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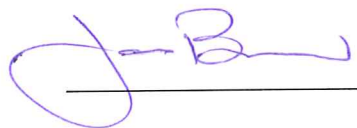
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implementations still contained a significant CorpTech involvement beyond its original expectation with IBM now proposing that CorpTech assume some development responsibility. IBM's view was that as CorpTech's cost base was less that this would be a method of reducing the overall cost of the Priority Implementations.

11. **Attachment 3** is a CorpTech document that compares the updated IBM Pricing to the original IBM tendered prices, but does not includes estimates for increased CorpTech staff.
12. These documents indicate that the estimate provided by IBM as part of SOW4 to complete Phase 1 was significantly more than its original tendered estimate. The cost of the revised proposal was in the order of between \$35 million and \$80 million greater that that proposed by IBM in its original tender response (Statements of Scope), dependant on what option was taken.
13. During the process of refining the outputs from IBM of Statement of Work 4 – Forward Planning I was engaged in several conversations by Mr Bill Doak of IBM regarding the ability of Government to find additional funding to enable the program of work as proposed by IBM to continue. Mr Doak's rationale was that if the program could demonstrate significant benefit to the State (i.e. cost savings) that the Government would provide additional funding.
14. I advised Mr Doak that Government had already allocated the funds that it had and that there were no more funds available for the program, regardless of the benefits that may arise from the program over time.
15. Between July 2008 and January 2009 regular updates on the progress of Statement of Work 4 – Forward Planning were provided to the Executive Steering Committee. This included "open sessions' where IBM was in attendance to present its findings as well as closed session during which IBM were not present. The minutes from the Executive Steering Committee meeting provide a record.
16. The outcomes of Statement of Work 4 - Forward Planning were significant inputs that gave rise to the decision by Government to de-scope IBM role and limit its involvement in the overall implementation of human resource and finance systems as originally intended. That is, a decision was made for IBM to only continue with the Queensland Health Lattice payroll

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replacement and not any other Statements of Work. Minutes from the Executive Steering Committee 29 January 2009 indicate that this matter was raised and discussed at senior levels within Government – **Refer Attachment 4**

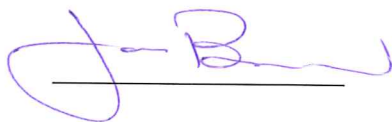
Briefing note – Origin of “...IBM had significantly underestimated....”

17. In my briefing note of 11 May 2009 I referred to IBM underestimating the work involved in the project. This was based upon my assessment of the outputs of Statement of Work 4 – Forward Planning. Those were my own words and IBM did not, to my knowledge, itself suggest that it has underestimated the work.

Testing of the Queensland Health Payroll Solution

18. The system and unit testing was the responsibility of IBM. The Project Board and Project Directorate had limited visibility into the results of IBM's unit and system testing. From my recollection I can not recount any detailed results of IBM unit and system testing being provided to these Committees.
19. The quality of work being developed by IBM was discussed at a Project Directorate meeting in June 2009. It was at this time that a large number of Severity 2 defects were being found, specifically with the Financial Interface that had been developed under Change Request 60 and Change Request 61. Both these Change Requests were dated 27 June 2008. I do recall that at that meeting Mr John Gower, the then IBM Project Manager, advising that the development of the financial interface had been constrained by time in order to meet the proposed User Acceptance date and that it had not gone through IBM's normal unit and system testing. Mr Gower also indicated that the work undertaken on the financial interface was not normally of a standard that IBM would deliver.
20. On 1 July 2009 I sent an email to Margaret Berenyi and Adrian Shea which refers to issues with IBM testing. The email outlines my views and those of John Gower, and reflects discussions of the Project Directorate at its meeting on 30 June 2009. A copy of my email is provided – **Refer**

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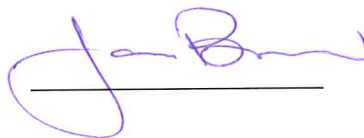
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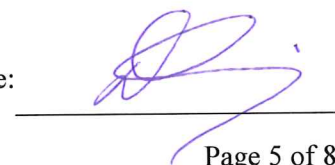
Attachment 5 to this statement and a copy of the Project Directorate minutes is provided -
Refer Attachment 6.

21. User acceptance testing ('UAT') was the responsibility of Queensland Health and was performed by Queensland Health with assistance from KJ Ross and Associates.
22. I attended the Queensland Health Project Board Meetings, although I was not a member of that Committee. It was common practice to have the Project Directorate meeting immediately before the Board meeting and then have members of the Directorate attend the Board meeting.
23. It was a pre-condition of entry into UAT that any Severity 1 or Severity 2 defects identified during System Testing be remedied. Similarly, it was a pre-condition of exiting from UAT that any Severity 1 or Severity 2 defects identified during UAT be remedied.
24. I do recall discussions at the Project Board around June/July 2009 where the matter of the criteria required to enter User Acceptance testing was raised. IBM indicated that it could not address all Severity 2 defects before the due date of entry into UAT. Again I believe that this was related principally to the financial interface but not solely.
25. IBM proposed to the Project Board that UAT commence as per the original schedule and that it would deliver the rectifications to the Severity 2 defects outstanding from System Testing before the end of UAT. I understood that the Project Board's view was that, provided any Severity 1 or Severity 2 defects identified during System Testing would be rectified by IBM during UAT and that the exit criteria for UAT were met, i.e. no outstanding Severity 1 or Severity 2 defects at the end of UAT, that the Project Board was prepared to agree to IBM's request and agree to enter UAT.
26. I was also asked about the outstanding defects before the Go-Live decision in March 2009. I advised that it was my recollection that the Program Board had agreed that there were to be no outstanding Severity 1 or Severity 2 defects which affect pay or pay calculation or a viable workaround in place that had been agreed to by Queensland Health. There also had to be an agreed Defect Management Plan in place to deliver the remaining outstanding defects not affecting pay or pay calculations.

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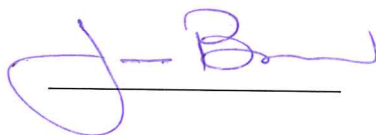


27. I also recall that Queensland Health had agreed to around 50 workarounds which was significantly less than the 200 or so workarounds that existed in the LATTICE payroll system.
28. In my first interview with the Commission I was asked whether I had knowledge of the report produced by KJ Ross into testing dated January 2010. I responded that I had no knowledge of the report, but there may be an unofficial copy in CorpTech.
29. I can now advise that upon reviewing Project Directorate and Program Board minutes of the same period that the KJ Ross report into testing was delivered and discussed at the Project Directorate meeting of 25 January 2010.
30. Prior to the report being developed/finalised, the number of outstanding defects was discussed at the Project Directorate meetings during December 2009. Attached are emails – **Refer Attachment 7** in which these matters were escalated. It is my understanding that these matters were also canvassed in the KJ Ross report.
31. The KJ Ross report contained a set of responses, a combined CorpTech/QH view and an IBM view to a number of issues including outstanding defects. The Project Directorate decided that the report and the respective responses were to be escalated to the Program Board for discussion and decision.
32. I was the Chair of the Project Directorate, but for this meeting I was on annual leave and it is my recollection that Mr Philip Hood chaired this meeting in my absence. I did attend the Project Board meeting on 29 January 2010 where the KJ Ross report was discussed.

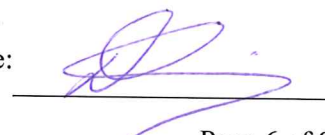
Change requests

33. I was not involved in Change Requests 60 or 61 both dated 27 June 2008. They were resolved before I began working at CorpTech on 7 July 2008.
34. I have reviewed the files pertaining to these change requests and I can advise that the original premise for the replacement of the Queensland Health LATTICE payroll systems was on a "like for like" basis. This was a not defined term in the contract or Statement of Work and was open to significantly different interpretations.

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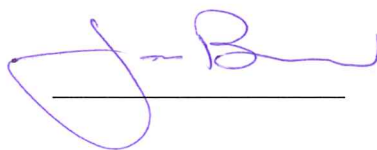


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35. I do recall seeing a document prepared by IBM dated about June 2008. This IBM document stated that the development of a financial interface was 'out of scope' and that the existing financial interface and procedures would be used. I have not been able to locate a copy of this document.
36. From reading through relevant documents it would appear that there were some issues which meant that from a business perspective the use of the existing financial interface would not meet its business needs. I believe that this may have been as a result of having to comply with the then proposed Federal Government National Health and Hospital Reform agenda which meant that Queensland Health required different levels of information to be captured in relation staff costs from the payroll system.
37. The financial interface and the level of cost allocation became an issue and it was apparent that a "like for like" system, as had been contemplated, would not going to be sufficient for Queensland Health because the existing interface could not deal with those issues. That resulted in change request 60 and 61.

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38. I have been asked why Change Request 184 did not contain the same conditions in Enclosure 2 in relation to testing as did the change requests leading up to it. I have been shown copies of CR184 and earlier change requests to refresh my memory. I was not able to properly address this matter during the interview.
39. Following further review of files and documents at my disposal, it is my recollection that Change Request 184 attempted to reach a commercial arrangement with IBM to deliver the Queensland Health payroll and address the continuous out of scope issues being raised by it. As well as other matters. That is, it was to bundle up all outstanding matters and deal with it in one Change Request.
40. Prior to Change request 184 out of scope items had been identified and then "rolled into" a proposed Change Request. Generally the Change Request would identify what had to be tested for the change item and the conditions under which it was to be tested and therefore the success or exit criteria. Change Request 184 adopted a different approach whereby the focus was on the defects identified by Severity.

Declaration

This written statement by me dated 10 April 2013 and contained in the pages numbered

1 to 8 is true and correct to the best of my knowledge and belief.

[Signature] Signature

Signed at BRISBANE this 10th day of APRIL 2013

Witnessed: [Signature] Signature

Name JAMES DONALDSON BROWN.

Signature:

[Signature]

Witness signature:

DAVID CRAIG