



QUEENSLAND HEALTH PAYROLL SYSTEM  
COMMISSION OF INQUIRY

Statement of Witness

<i>Name of Witness</i>	Michael Reid
<i>Date of Birth</i>	15 April 1948
<i>Address and contact details</i>	c/o Corrs Chambers Westgarth Lawyers Level 35, 1 Eagle Street, Brisbane Qld 4000
<i>Occupation</i>	Consultant
<i>Date taken</i>	23 April 2013

I, Michael Reid, state:

**Background**

1. At 10:00am on Tuesday, 2 April 2013, I attended the Queensland Health Payroll System Commission of Inquiry (**Commission**) pursuant to a requirement issued by the Commission on Tuesday, 26 March 2013.
2. At the Commission, I was interviewed by Mr Jonathan Horton, Counsel assisting the Commission for approximately one hour and forty minutes. Mr Peter Flanagan, Senior Counsel assisting the Commission, was also present at that interview and asked some questions of me.
3. I make this written statement in response to a request made by Mr Horton and Mr Flanagan. It addresses the topics that were discussed with me at the interview or which were addressed in the requirement issued by the Commission on 26 March 2013.

**Employment and education**

4. I am currently a consultant for my own consulting company, Michael Reid and Associates. I also provide consultancy services to PricewaterhouseCoopers.
5. Prior to this, I had a long history working in health administration roles in the public sector, with my roles including the following:
  - a. From around 1996 until 2002, I was the Director-General of New South Wales Health;
  - b. From around 2002 until 2004, I was the Director of the Policy and Practice Program at the George Institute for International Health, University of Sydney;

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- c. From around 2004 until 2006, I was the Director-General of New South Wales Ministry of Science and Medical Research; and
  - d. From 23 June 2008 until 22 June 2011, I was the Director-General of Queensland Health.
6. Between these engagements, I also worked as Managing Director of my consulting company. In this role, I have undertaken numerous health and science projects throughout Australia, for governments in Asia and the Pacific, and with United Nations organisations. For example, I spent two years in Geneva at the World Health Organisation working in the Global Program on AIDS. My broad areas of consultation have related to macro health systems development and evaluation, clinical services planning, health workforce reform and performance analysis.
  7. I have a Bachelor of Economics from the Australian National University, ACT.
  8. I hold Adjunct Professorships in the Faculty of Medicine at the University of Sydney, and the Faculty of Health Sciences at the University of Western Sydney.

**Appointment to Queensland Health**

9. As noted in paragraph 5.d above, I commenced working as the Director-General of Queensland Health on 23 June 2008. In this role, 3 Zonal Managers and 25 District Managers were initially accountable to me, together with 10 Corporate direct reports. Subsequently, the Zones were abolished and the districts were contracted to 15 Area Health Services, so my direct reports became 10 from Corporate and 15 Area Health Service Chief Executive Officers.
10. As Director-General, I was responsible for the overall management of Queensland Health, though my primary focus was the “outward-facing” or “public” aspects of Queensland’s public health system, such as issues relating to major capital works projects including new hospitals, waiting times in emergency departments, waiting times for elective surgery, the impact of floods, storms and other natural disasters on health service delivery, disease outbreaks such as the Hendra virus and budget management,. In this role, I reported to the Minister. I was supported in these responsibilities and the more “inward-facing” aspects of Queensland Health by my direct reports and a number of other senior officers who each had a broad array of delegated responsibilities.

**Briefings in relation to Queensland Health’s replacement payroll system, including a briefing note prepared by Mr Terry Burns dated 28 August 2008**

11. In my interview with the Commission, Mr Horton asked me about the briefings I received from 18 May 2008 to 24 March 2010 in relation to the replacement of Queensland Health’s previous payroll system, LATTICE.

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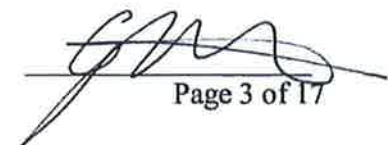
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12. As noted in paragraph 5.d above, I did not commence with Queensland Health until 23 June 2008. After this date, I met with all of my corporate office direct reports for the purposes of being briefed on the different areas within Queensland Health that I had become responsible for as incoming Director-General. This included a high level briefing with Mr Michael Kalimnios (then Deputy Director-General of Queensland Health) who had responsibility for finance, industrial relations, human resources and payroll issues.
13. I was informed that work was being undertaken in respect of a payroll system to replace LATTICE (the replacement payroll system), and that this project was being managed by CorpTech. I understood that CorpTech was an information and communication technology provider which sat within Queensland Treasury when I first commenced with Queensland Health. It was transferred to the Department of Public Works in around July 2008, shortly after my commencement at Queensland Health.
14. In late August or early September 2008, I was provided with a document dated 29 August 2008 which was entitled "Briefing Note for Approval" which was addressed to me (Briefing Note 1) (Tender Bundle 'TB' Vol. 5 pages 294-296). Briefing Note 1 had the subject "Current Issues faced by QHEST and Recommendations" and recorded that it had been written by Mr Terry Burns (QHEST Program Director), and cleared by Mr Anthony Price (Director QHEST) and Mr Kalimnios.
15. Briefing Note 1 sought my approval on a number of proposed actions to address key issues faced by Queensland Health given that the replacement payroll system was facing its second major delay in eight months. The key recommendation was that Queensland Health engage with contract companies in respect of these types of systems directly rather than through CorpTech.
16. Upon reading Briefing Note 1, I formed the view that it addressed a very complex issue that I did not yet understand fully given I had only commenced with Queensland Health approximately two months earlier. I also considered that it recommended a series of actions that I was not able to approve in my role of Director-General of Queensland Health because:
  - a. The work was being performed pursuant to a contract between CorpTech and IBM to which Queensland Health was not a party; and
  - b. The work was the subject of an earlier Queensland Government decision to adopt a "whole-of-government" approach to enterprise resource planning systems such as payroll systems and was not a 'stand alone' project in respect of which Queensland Health had the power to make decisions as to whether or not to participate.

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17. For these reasons, I did not consider I was in a position to approve the recommendations contained in Briefing Note 1 and circled "further information required". I arranged to meet with Mr Kalimnios to discuss.
18. I recall meeting with Mr Kalimnios on or about 5 September 2008 and he further briefed me on the issues addressed in Briefing Note 1. I recollect that Mr Kalimnios briefed me on the history of LATTICE and his concerns in relation to its unsustainability. In particular, I recall that Mr Kalimnios:
- Expressed a view that there was a high possibility of a failure in LATTICE that may result in no payments being made to Queensland Health employees;
  - Expressed concerns over LATTICE becoming unsupported by its developer in that there was a lack of external support staff available to "fix" LATTICE if errors arose;
  - Informed me there was a decreasing number of people within CorpTech and Queensland Health who were familiar with LATTICE, which meant there was fewer people available to correct any errors;
  - Advised me there was a significant number of manual "work arounds" required for LATTICE to produce accurate payments to staff;
  - Expressed concern at the long delays being experienced in respect of the replacement payroll system;
  - Raised concerns with CorpTech, in particular that it did not act as though Queensland Health was to be the "end-user" for the replacement payroll system and was therefore not appropriately responding to IBM regarding delays; and
  - Expressed his concern about delays to the "go live" date for the replacement payroll system and his inability to get a satisfactory response from CorpTech on this issue.

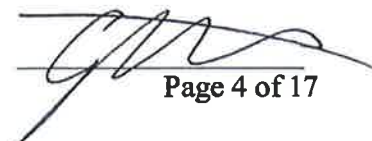
I recall we also discussed my inability to approve the recommendations contained in Briefing Note 1 due to the Queensland Government's "whole-of-government" approach and the fact that Queensland Health was not a party to the contract with IBM. I believe we agreed to meet with Mr Mal Grierson, the Director-General of the Department of Public Works, to further discuss the issues addressed in Briefing Note 1 given that it was his Department that was party to and managed the contract with IBM (through CorpTech).

19. Following my meeting with Mr Kalimnios, I noted on Briefing Note 1 "Michael [Mr Kalimnios], As discussed this AM".
20. In or about late September 2008, I was provided with a document dated 29 September 2008 entitled "Briefing Note for Information" which was addressed to me (Briefing Note 2) (TB Vol. 6 pages 195-196). Briefing Note 2 had the subject "Current Issues faced by

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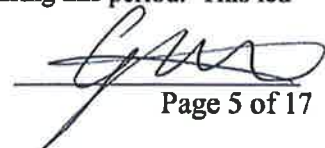


- QHEST - Update" and recorded that it had been written by Mr Peter Douglas (Acting Deputy Director, Corporate Services) and cleared by Mr Kalimnios.
21. Briefing Note 2 advised me of an extension to the "go live" date for the replacement payroll system and the implications of this. It also contained what I considered to be a moderated view of the issues addressed in Briefing Note 1. For example, while Briefing Note 1 recommended that Queensland Health cease its interactions with CorpTech, the fourth to sixth dot points under the heading "Current Issues" of Briefing Note 2 show that this recommendation had been moderated and it was no longer recommended that Queensland Health do so. I believe this moderated view arose as a result of the discussions I had with Mr Kalimnios on or about 3 September 2008 in relation to what we might be able to achieve within the limits of the Queensland Government's "whole-of-government" approach to enterprise resource planning systems.
  22. Briefing Note 2 does refer to Queensland Health's "position" in respect of its payroll systems being discussed with the Executive Director of CorpTech. I was not a party to that discussion with the Executive Director of CorpTech.
  23. Briefing Note 2 also refers to Queensland Health needing to fund an extra support agreement with CorpTech to maintain LATTICE at a cost of \$1.5m. I was not required to approve this expenditure as it did not exceed the amount able to be approved by the persons who reported to me in accordance with their delegated responsibilities. Expenditure of \$1.5m could be directly approved by senior officers such as Mr Kalimnios.
  24. On 5 October 2008, I circled "Noted" on Briefing Note 2 and signed it.
  25. During the remainder of 2008 and in 2009, I do not recall receiving any further final briefing notes in relation to the replacement payroll system. However, I did have informal discussions with Mr Kalimnios (and on at least one occasion, Mr Adrian Shea, Executive Director, Corporate Services, a direct report of Mr Kalimnios in his absence) at our regular catch up meetings.
  26. I recall that on occasions, Mr Kalimnios described to me the complexity of the relationships between Queensland Health, CorpTech and IBM and the "arm's length" approach of Queensland Health in relation to those arrangements. I recall Mr Kalimnios expressing concerns about the delays to the replacement payroll system "going live" given the risks and uncertainty as to the continued functionality of LATTICE. Mr Kalimnios expressed some general dissatisfaction with progress of the replacement payroll system project and the performance of IBM in that respect, though he also advised me that these issues were being progressively resolved. He did not raise any further major concerns with the replacement payroll system during this period. This led

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- me to form the opinion that notwithstanding the history of issues with the replacement payroll system, things were progressing and the issues were being resolved.
27. In one of these informal briefings in around late 2009, I recall being told that a decision to “go live” with the replacement payroll system had been formally approved by the Queensland Health Implementation of Continuity Project Board (**QHIC Board**). I understand that the QHIC Board also decided the “go live” date would be deferred until after the Christmas period given that many Queensland Health employees would be on holidays during that period, many hospitals would wind back elective surgery and significant numbers of new staff are employed in the January/February period.
  28. In early March 2010, I was provided with a document dated 26 February 2010 entitled “Briefing for Decision” which was addressed to me (**Briefing Note 3**) (TB Vol. 15 pages 163-165). Briefing Note 3 had the subject “Additional Costs Interim Payroll Replacement – QHIC” and it recorded that it had been written by Mr Price and cleared by Mr Kalimnios.
  29. Briefing Note 3 recommended that I approve certain funding in respect of the replacement payroll system and reject certain other related funding. It also sought that I sign a letter to Mr Grierson confirming this position.
  30. I reviewed Briefing Note 3 in the context of the regular informal discussions I had been having with Mr Kalimnios and Mr Shea during 2008 and 2009. I was aware of the status of the “go live” date due to these informal discussions, and considered it appropriate to approve the recommendations contained in Briefing Note 3 on the advice of Mr Kalimnios.
  31. On 14 March 2010, I circled “Approved” and signed Briefing Note 3. I also signed the attached letter to Mr Grierson.

**Meeting regarding memorandum dated 6 July 2009**

32. In my interview with the Commission, Mr Horton asked me about a meeting I had with Mr Kalimnios and Mr Grierson in relation to a memorandum dated 6 July 2009 by Mr Price.
33. The memorandum was entitled “Queensland Health Brief for Noting” and it had the subject of “Interim Payroll Replacement – QHIC” (**Memorandum**) (TB Vol. 9 pages 240-250). It was addressed from Mr Price to the Deputy Premier and Minister for Health.
34. I first became aware of the Memorandum in around March or April 2010 when it was identified as relevant to a Freedom of Information request. I had not seen the Memorandum before that time, nor had Mr Kalimnios or Mr Price advised me of the issues it addressed in any detail. During a range of regular meetings with Mr Kalimnios (including the meeting referred to at paragraph 18 above), Mr Kalimnios had provided me

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with some very general "high level" information on only the following issues referred to in the Memorandum:

- a. That Lattice was an unsupported and ageing payroll system (page 1);
- b. That the QHIC Project was over time and budget and that costs had escalated (page 1);
- c. That Queensland Health was concerned about the control of the project deliverables resting with CorpTech (page 1);
- d. That Queensland Health was the pilot for the whole-of-Government solution for Workbrain and SAP (page 4);
- e. That there had been a failure by IBM to deliver on time and budget (page 5);
- f. That the relationship between IBM, CorpTech and Queensland Health had not been strong (page 6);
- g. That a failure of the implemented solution to deliver a payroll solution would likely result in media attention (page 7); and
- h. That CorpTech and IBM were members of the Project Directorate and Board which provides governance for the QHIC Project (page 8).

I was also aware that Queensland Health had previously made CorpTech/IBM aware of its dissatisfaction with the project (page 8). However, throughout the course of 2009, I was progressively reassured that the sources of Queensland Health's dissatisfaction (including those issues listed above) were being rectified on an ongoing basis such that there was an increasing level of comfort that they would be resolved to Queensland Health's satisfaction.

35. I do not recall having any meeting with Mr Kalimnios and Mr Grierson specifically in relation to the Memorandum.
36. From time to time, I did have discussions with Mr Grierson regarding the replacement payroll system more generally. I cannot recall whether there were any meetings specifically dedicated to that issue, or whether we simply had discussions as part of executive meetings. I do recall that Mr Grierson and I discussed concerns about the role of CorpTech in the context of it being Queensland Health who would be the "end-user" of the replacement payroll system, and the delays that IBM was experiencing. I understood there to be a general sense of agreement between Mr Grierson and I that the contractual arrangement with IBM and CorpTech needed to be addressed and improved. I was of the understanding that Mr Grierson would meet with someone from IBM to address these issues. However, I was not a party to this meeting.

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**The “go live” decision, including change request 202**

37. In my interview with the Commission, Mr Horton asked me about the decision to “go live” with the replacement payroll system, including change request 202 (TB Vol. 12 pages 72-98).
38. I was not directly involved in the decision to “go live” with the replacement payroll system. I was not at any time instructed to ensure that the replacement payroll system “went live” by a particular date. The responsibility for issues relating to the replacement payroll system within Queensland Health, including the “go live” decision, were within the delegated responsibilities of persons who reported to me such as Mr Kalimnios.
39. As noted in paragraph 27 above, it is my understanding that the decision to “go live” with the replacement payroll system was made in late 2009 by the QHIC Board. The QHIC Board comprised three Queensland Health employees:
- a. Mr Kalimnios;
  - b. Mr Shea; and
  - c. Mr Ray Brown, Chief Information Officer, Information Division, together with a CorpTech employee and an IBM employee.
40. These three Queensland Health employees, together with the other two members of the QHIC, collectively had delegated responsibility to approve matters such as the “go live” decision for the replacement payroll system on behalf of Queensland Health. I would not normally be required to approve decisions that were within these employees’ delegated responsibilities. I was not asked to provide approval in respect of the decision to “go live” with the replacement payroll system.
41. I have been advised that change request 202 was sought by way of a form said to have been submitted by Ms Margaret Berenyi to Ms Natalie MacDonald (the Acting Director-General of the Department of Public Works) on 9 November 2009. I would assume this document was prepared within CorpTech and submitted directly to Ms MacDonald. I did not have knowledge of that document at the time it was prepared or submitted, nor am I aware whether any other Queensland Health employees were so aware.

**Any action taken against Mr Kalimnios, Mr Shea and Mr Price**

42. In my interview with the Commission, Mr Horton asked me about the action taken against Mr Kalimnios, Mr Shea and Mr Price in relation to the “go live” decision for the replacement payroll system.
43. As noted in paragraph 39 above, I was aware that Mr Kalimnios and Mr Shea were on the QHIC Board which managed the implementation of the replacement payroll system and ultimately approved its “go live” decision. I was also aware that Mr Price was the senior advisor to the QHIC Board and he had responsibility for providing it with advice about

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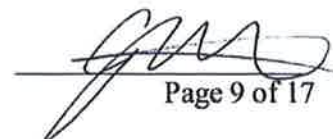
quality assurance, project governance and the transition to the replacement payroll system.

44. After the replacement payroll system went “live” in March 2010, a number of significant errors occurred which were brought to my attention. I sought to inform myself on the extent of these issues by taking actions such as:
- a. Speaking with Mr Kalimnios and Mr Shea about the problems that were occurring;
  - b. Taking Mr Terry Mehan (Deputy Director-General, System Policy and Performance) off his regular duties to instead deal with the initial issues which arose after the first payroll run under the replacement payroll system;
  - c. Meeting with all relevant unions to discuss the information they had been receiving from affected members;
  - d. Meeting with all Area Health Service Chief Executive Officers who reported directly to me to discuss the problems they were specifically facing in their areas;
  - e. Meeting with the Queensland Health payroll staff who were using the replacement payroll system;
  - f. Visiting the payroll offices to see how the replacement payroll system worked in practice;
  - g. Establishing the Payroll Stabilisation Program chaired by Mr Michael Walsh to provide a more formal structure for rectifying the issues arising from the “go live” and
  - h. Regular briefings of the Minister and the Minister’s office.
45. On 11 April 2010, I authorised a brief to be sent to the Director-General of the Department of the Premier and Cabinet which noted the issues with the replacement payroll system that I had been made aware of as at that date. A copy of this brief is attached and marked ‘MR-1’.
46. On 23 April 2010, Ms MacDonald and I wrote to IBM in relation to the issues with the replacement payroll system that we had been made aware of as at that date. A copy of this letter is attached and marked ‘MR-2’. We expressed our acute dissatisfaction with the replacement payroll system and noted that there were significant issues with the Workbrain rostering system and its usability which were not attributable to merely a lack of training or unfamiliarity with the system within Queensland Health.
47. In or around May 2010, I was made aware of a report prepared by KPMG entitled “Queensland Health Payroll Implementation Review, Stage 1 Status Report, 8 May 2010”. A copy of the report is attached and marked ‘MR-3’. It was critical of the governance and approvals of the replacement payroll system.

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48. By June 2010, I had also been made aware of a Report to Parliament No. 7 for 2010 from the Auditor-General of Queensland entitled "Information Systems Governance and Control, including the Queensland Health Implementation of Continuity Project". A copy of the report has already been tendered to the Commission, and appears as Exhibit 2. It was also critical of the governance and approvals of the replacement payroll system. In particular, it criticised the decision to "go live" with the replacement payroll system.
49. Based on all of the information available to me, I formed the view that the decision to "go live" with the replacement payroll system was clearly erroneous and had been made without sufficient rigour. I considered it was therefore appropriate to terminate the contracts of Mr Kalimnios and Mr Shea due to their direct role in the approval of the "go live" decision. They were the senior executive officers with day to day knowledge of the issues involved in the replacement payroll system, and who made the decision to "go live".
50. I discussed this decision with Queensland Health's Human Resources department to determine whether I was able to act on it. I was advised that Mr Kalimnios and Mr Shea were both "senior executives" as that term is defined in the *Public Service Act 2008* (Qld) (PS Act), and were consequently engaged by Queensland Health on a contracted basis. Their contracts provided for termination of their engagement at any time on the provision of one month's notice. This is a common provision in senior executive contracts in the public service, and is commonly the mechanism used when a decision is made to terminate the contract of a senior executive.
51. I met with both Mr Kalimnios and Mr Shea and advised them of my decision to terminate their contracts. I then confirmed that decision to each of them in writing by separate letters dated 28 June 2010
52. I also formed the view that it was appropriate to transfer Mr Price from his current position to a new position which had no ongoing involvement in the replacement payroll system. This decision was made due to Mr Price's responsibility for advising the QHIC Board about the replacement payroll system prior to the "go live" decision. I also did not consider that I had the ability to terminate Mr Price's engagement in the manner I did with Mr Kalimnios and Mr Shea, as my understanding was that he was not a "senior executive" as that term is defined in the PS Act.
53. At the time I made the decision to transfer Mr Price to a new position, I was aware of the Memorandum as it had been brought to my attention in April 2010. However, the Memorandum played no part in my decision about the appropriate action that should be taken against Mr Price.

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54. I also formed the view that less serious action should be taken against Mr Brown. Although he was also a signatory to the decision to “go live”, he had only been appointed to the QHIC Board in October 2009 (ie. after many of the governance issues relating to the replacement payroll system). I therefore decided to issue him with a written warning.
55. In my interview at the Commission, Mr Flanagan asked me to specifically identify the information that came to my attention after the “go live” date that caused me to conclude that it was appropriate to take the action I did against Mr Kalimnios, Mr Shea and Mr Price.
56. The following are some examples of the numerous problems/errors with the replacement payroll system identified following “go live” that were required to be addressed as part of the Payroll Stabilisation Program. None of these problems/errors had been brought to my attention prior to the “go live” date. It would have been my expectation that those responsible for overseeing the implementation of the replacement payroll system would have identified these problems and appreciated that the extensive numbers of problems/errors and their potentially widespread nature was of significant concern and therefore brought this to my attention.
- a. **Higher duties** – complex workarounds were required to allocate a single day of higher duties at the required increment level. A change was required to automate this process within Workbrain.
  - b. **On-call allowance** – Directors of Nursing and Assistant Directors of Nursing were not being paid an on-call allowance due to system limitations. A change was made allowing the on-call allowance to be paid.
  - c. **Public holidays, Not Required to Work** – a change was required to allow Workbrain to automatically recognise when an employee was not required to work public holidays.
  - d. **Public holidays, correct calculations** – Workbrain was inconsistently determining if an employee was working on a public holiday or not. A change was required to ensure that Workbrain consistently recognised if an employee had worked a public holiday, and calculated payments accordingly.
  - e. **SAP reporting impacts on system performance** – when reports were run in SAP, they could impact on the speed of the system. Some reports needed to be reprogrammed so that they could be run in the background and not adversely impact the speed of the system.
  - f. **Recreation leave reversals** (ie. when recreation leave is paid but not taken) – when an employee has been paid out for a period of recreation leave and there was a need to reverse the entry, the system was deleting the original entry and also entering a

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negative entry for the transaction. A fix was required to allow for the reversal of recreation leave to appear on the same day as the payment and not reduce the employee's leave balance twice.

- g. **2009/ 2010 Payment Summaries** – a change was required to ensure that Payment Summaries could be reproduced accurately should someone request another print out of their payment summary. Previously, if the system had recorded that an employee was to move to another position either at higher duties or a higher level at a future date, this was not possible.
- h. **Retrospective payments** – a fix was required to ensure retrospective payments paid in the new financial year were taxed correctly. The Australian Taxation Office (ATO) requires that retrospective payments are taxed according to the applicable rate in the period in which they are earned.
- i. **Workbrain schedule compliance errors** – when publishing rosters for a single week, the “Employee View” is used within the Multi View Scheduler (MVS). This view was applying fortnightly schedule compliance rules when it should have been applying weekly rules. A change was required to ensure that compliance errors in Workbrain were no longer misleading.
- j. **Roster load form (RLF), Workbrain** – when on-call shifts were added through the roster load form function, a meal break was automatically added. This required the manual removal of the meal break later in the roster publishing process, adding extra time to the process. A change was required to ensure that a meal break was no longer automatically applied.
- k. **Selection of roster dates in Workbrain before 8 March 2010** –the system allowed rostering staff to select dates prior to 8 March 2010. However, only when the rosters were published did an error occur. A fix was applied so that an error message appears when the processor has chosen a date prior to 8 March 2010.
- l. **Roster publishing errors** – when publishing rosters in Workbrain, a “Publish Failed” error occurred when the publish action had actually been successful. This caused confusion for payroll staff and made the roster publishing time longer than necessary due to the checking required. A change was required so that an error message would only appear where there was a genuine failure to publish the roster.
- m. **Leave processing in Workbrain** – Workbrain was allowing processors to enter leave twice before reporting an error. This occurred because there was a delay in the leave processing action in Workbrain. When the processor realised that the leave had not been posted, and there was no corresponding error message, the leave was re-

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entered and Workbrain then produced the error notification. A fix was required so an error message was displayed at point of submission by the processor.

57. These problems/errors were fundamental. They arose across all of Queensland Health's systems and affected all categories of employees (particularly casual employees and those who worked at more than one site (ie. "concurrent employees")). They arose commencing from the first payroll run under the replacement payroll system, and the problems continued in subsequent payroll runs.
58. Due to the extensive number of problems/errors brought to my attention, their widespread nature and their compounding effect, I formed the view that it ought to have been readily apparent from any review or assessment of the replacement payroll system undertaken prior to its implementation that it was not ready to "go live" when it did. I therefore considered that the persons who approved, or were involved in the "go live" decision (including Mr Kalimnios, Mr Shea and Mr Price) had not adequately discharged their duties when they failed to identify these problems/errors and take steps to ensure they were rectified before the implementation of the replacement payroll system.

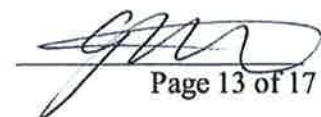
**Further documents referred to me by the Commission**

59. In my interview at the Commission, Mr Horton asked me about a document dated 9 September 2008 entitled "Briefing Note for Information", which was addressed to me (TB Vol. 6 pages 8-9). This document had the subject "Way forward with CorpTech" and recorded that it was from Mr Kalimnios, though written by Mr Shaurin Shah (Enterprise Architect, QHEST) and cleared by Mr Price and Mr Kalimnios. I had not seen this document prior to receiving it from the Commission. I did not ever receive it from Mr Kalimnios.
60. In my interview at the Commission, Mr Horton asked me about a document entitled "Confidential and Without Prejudice, subject to execution of a variation agreement to Statement of Work 8, Memorandum of Understanding, 18 September 2008" (TB Vol. 6 pages 30-31). I had not seen this document prior to receiving it from the Commission. I do not know if it was prepared within Queensland Health. The issues detailed at points 16 to 18 under the heading "Additions from QH" were not within my knowledge at that time.
61. In my interview at the Commission, Mr Horton asked me about a document entitled "Meeting Agenda, Director-General 8 January 2009, Status of IBM Arrangements" (TB Vol. 8 pages 3-7). I had not seen this document prior to receiving it from the Commission. I assume it is an agenda from a meeting held by Mr Grierson (in his capacity as the Director-General of the Department of Public Works), though I was not aware of any such meeting at that time. In this document, I am referred to in the third

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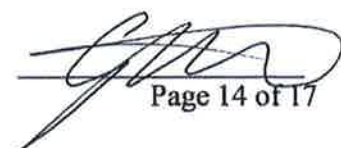
person at dot point 1 under the heading "TO DO", where it states that I would be contacted to indicate discussions would be held with IBM. As noted in paragraph 36 above, I do recall having a discussion with Mr Grierson in relation to him meeting with someone from IBM, though I do not recall if this was in or around January 2009.

62. In my interview at the Commission, Mr Horton referred me to two documents entitled "QHIC Release Steering Committee Meeting Minutes" dated 23 December 2008 and 7 January 2009 (TB Vol. 7 pages 331-333 and Vol. 8 pages 1-2). The 23 December 2008 Minutes stated "*Michael stated that he would need to have discussions with the Director-General regarding the commitment of approximately 15-20 million dollars from Queensland Health if we go into the next financial year*" and "*Michael Kalimnios and Tony Price to meet with Director-General 24/12/2008*". The 7 January 2009 Minutes stated "*Tony Price and Michael Kalimnios met with the Director-General for 15 minutes on 24/12/2008. They presented the status update and this was discussed. The extensions to the QHIC project and costs into the new year were highlighted. Michael Reid agreed to talk to Mal Grierson and then have a discussion with IBM to push for a finish to the project by the end of the financial year*". In response to these Minutes, I state:
- a. I was not at the QHIC Committee meetings on 23 December 2008 and 7 January 2009, nor had I seen the Minutes of those meetings prior to them being shown to me at the Commission;
  - b. I have since reviewed my electronic calendar for the relevant period and I do have a calendar entry for a meeting with Mr Kalimnios at 9:00am on 24 December 2008. However, I met with Mr Kalimnios on a regular basis and do not specifically recall what we may have discussed at this meeting;
  - c. I have no recollection of meeting with Mr Price at or around this time, though he may have attended the meeting with Mr Kalimnios referred to in b. above; and
  - d. As noted in paragraph 36 above, I did occasionally speak with Mr Grierson about the replacement payroll system and it was my understanding that he was going to meet with someone from IBM in relation to it.
63. In my interview at the Commission, Mr Horton referred me to a draft briefing note to the Director-General of the Department of Public Works dated 25 March 2009 which stated it was also copied to me. I had not seen this document prior to being shown a copy at the Commission. I do not recall being consulted in any respect about an IBM proposal at or about that time. I was not required to be consulted about general IBM proposals in relation to the replacement payroll system unless these exceeded the delegated responsibilities of the persons who reported to me. IBM's proposal detailed in this

Signature:



Witness signature:



document was a matter that senior officers such as Mr Kalimnios could manage under their broad array of delegated responsibilities.

64. In my interview at the Commission, Mr Horton asked me about a document dated 26 October 2009 entitled "Brief for Noting", which was addressed to the Deputy Premier and Minister for Health (TB Vol. 11 pages 295-297). This document had the subject "Status of Interim Payroll Replacement – QHIC" and recorded that it had been written by Mr Price, and cleared by Mr Shea. I do not specifically recall seeing this document prior to receiving it from the Commission, though it is possible that I did. The annotations on this document are not mine, however it is possible that they were made by someone in my office.
65. In my interview at the Commission, Mr Horton asked me about user acceptance testing conducted by KJ Ross and Associates on the replacement payroll system. I was not aware that KJ Ross and Associates had been engaged to do this testing at the time. I was not briefed about the status of the tests they conducted, nor the problems that emerged. Mr Horton also asked me about the report prepared by KJ Ross and Associates in relation to its user acceptance testing dated 27 January 2010 (TB Vol. 13 pages 283-316). I was not aware of the report at that time. I became aware of this report some time after the replacement payroll system "went live" in March 2010. While I was aware of this report, it did not form the basis of my decision to take the action I did against Mr Kalimnios, Mr Shea and Mr Price. As discussed at paragraphs 56 to 58, it was the extensive number of problems/errors with the replacement payroll system brought to my attention after the "go live" date, their widespread nature their compounding effect, the fact that they should have been rectified prior to "go live", and that it was the responsibility of Mr Kalimnios, Mr Shea and Mr Price (amongst others) to ensure this happened that formed the basis of that decision.
66. In my interview at the Commission, Mr Horton asked me about a document dated 17 March 2010 entitled "Brief for Noting", which was addressed to the Deputy Premier and Minister for Health (TB Vol. 15 pages 209-212). This document had the subject "Released Documentation regarding Interim Payroll Replacement – QHIC (Old Health Implementation of Continuity) – RTI #157" and recorded that it had been written by Mr Price, and cleared by Mr Shea and Mr Kalimnios. I received a similar document in around April 2010 in relation to the Freedom of Information request referred to in paragraph 34 above. In this document, the Memorandum is referred to, and it then notes:
- "The brief makes critical statements about the performance of both IBM and CorpTech. It was written at a point in time and QH management believes that those circumstances in the project have now changed."*

Signature:



Witness signature:




This comment supports the opinion I had at around that time, namely that while there had been issues with the replacement payroll system in the past, these issues had been resolved and the concerns noted in the Memorandum (which I had not seen before April 2010) were no longer relevant.

67. In my interview at the Commission, Mr Horton asked me about any discussions I had with Minister Lucas in relation to media articles criticising the cost of payroll issues prior to the "go live" date. I do not recall ever discussing these issues with Minister Lucas.

**Declaration**

This written statement by me dated 23 April 2013 and contained in the pages numbered 1 to 16 is true and correct to the best of my knowledge and belief.

Signed at  Signature  
SYDNEY this 24<sup>th</sup> day of April 2013

Witnessed:

Name  Signature  
Christian Marchant 24/4/2013

Signature:



Witness signature:







**QUEENSLAND HEALTH PAYROLL SYSTEM  
COMMISSION OF INQUIRY**

**Annexure(s) to Statement of Witness**

Items to be annexed to the statement of Michael Reid taken on 23 April 2013:

<b>Annexure</b>	<b>Document</b>	<b>Page No.</b>
MR-1	Briefing Note from Director General of Queensland Health to Director General of the Department of Premier and Cabinet dated 11 April 2010	1-5
MR-2	Letter from Director General Queensland Health and Acting Director General Department of Public Works to IBM dated 23 April 2010	6
MR-3	Report by KPMG entitled "Queensland Health Payroll Implementation Review, Stage 1 Status Report" dated 8 May 2010	7-41

Signature:

A handwritten signature in black ink, appearing to be 'Michael Reid', written over a horizontal line.

Witness signature:

A handwritten signature in black ink, appearing to be 'G. H. S.', written over a horizontal line.

## QUEENSLAND HEALTH BRIEF FOR NOTING

**Our Ref:**

**Date:** 11 April 2010  
**TO** Director-General, Department of the Premier and Cabinet  
**FROM** Director-General, Queensland Health  
**SUBJECT** Queensland Health Payroll implementation

### RECOMMENDATION

- That you note the contents of this brief.

### BACKGROUND CONTEXT

- In any average fortnightly pay cycle, Queensland Health pays 74,000 staff. This includes permanent full time, permanent part time, temporary and casual staff including a significant component of shift workers.
- In any average fortnightly pay cycle, Queensland Health processes \$210M in funds. This represents 200,000 transactions.
- Each day, Queensland Health undertakes 3000-4000 adjustments to previously inputted pay data. This occurred in the previous system, and continues to occur in the new system.
- These 3000-4000 daily adjustments represent changes to base pay for casual and/or part-time staff, changes arising due to urgent call-in of medical staff to cover additional shifts (or where shifts have not been worked), allowances for meal breaks, changes to acting arrangements and so on.
- Due to the need to cut over from the former pay system to the new pay system, there was a decreased time (for the first pay run of the new system only) to be able to input the 3000-4000 daily adjustments. This was a result of a number of factors including slower than expected processing of pay, corrective actions that were required, and so forth. This decreased processing time reduced the normal input period from 14 days to 5 days, and led to the creation of a 'backlog'.

### Details of first pay run from new system – processed 23 March 2010

- As at the end of the first pay period, there was a backlog of 26,000 adjustments requiring to be processed by payroll staff.
- These 26,000 adjustments represented approximately 18,000 staff affected in some way, of which 1,800 had received no pay or minimal pay. All of these 1,800 staff have now had their pay processed.
- In total, this represented \$14.5M of funds that were affected in the first pay run. This represents approximately 7% of Queensland Health's total pay run.

### **Details of second pay run from new system – processed 7 April 2010**

- As at 10 April 2010, the backlog of 26,000 adjustments has been reduced to 9,000 remaining adjustments. The processing undertaken to date has covered both the daily 3000-4000 adjustments required and a reduction of 17,000 adjustments from the backlog, meaning over the course of three weeks approximately 60,000 adjustments have been processed.
- Out of the second pay run, 382 staff have received no or minimal pay (as at 9am, 11 April 2010).
- In total, this represented \$3.6M of funds that were affected in the second pay run. This represents approximately 1.7% of Queensland Health's total pay run.
- On 8 April 2010, a meeting between Queensland Health executive and unions agreed that any person who had been nominated by a union or who had been identified by District Management as having received no or minimal pay by close of business that day, would have their pay processed by the end of the following day.
- There were a total of 300 staff who were identified as a result of that meeting, and all have had their pay processed to the bank as at close of business 9 April 2010. Of these 300 staff, 296 have been personally contacted by Queensland Health payroll staff to ensure they have been paid (there are four remaining staff that have not been able to be contacted as at 9am 11 April 2010, but attempts continue).
- Subsequent to the meeting of 8 April 2010, a further 82 staff have been identified by additional measures as having received no or minimal pay (either by follow-up, through contact with the hotline, or contact to payroll hubs). Arrangements for manual cash payments (where necessary) or overnight electronic funds transfer (to be processed by banks on Monday, 12 April 2010) have been made at the request of these staff. All of these staff have been personally contacted by Queensland Health executive or payroll staff to make arrangements for cash payment or confirm advice about processing of electronic funds transfer (depending on their preference and the urgency with which they require payment).

### **Details of third pay run from new system – processed 18 April 2010**

- Payroll period three closes on 18 April 2010. Payment to staff occurs on Wednesday-Friday of that week (depending on the staff member's banking institution processing time). By this period, the backlog of 9,000 will be reduced to normal level (3,000-4,000 adjustments required). This will mean that the payroll will be as 'clean as' possible and as existed with the previous system.

### **Calls to established hotline numbers**

- As at 12 noon on 11 April 2010, there have been 212 calls to the dedicated payroll hotline (3636 0737) in the last 48 hours.
- In that same time period, there have been on average less than 10 calls to District payroll centres.

### **Next Pay preventative measures**

- Queensland Health has implemented a number of measures to reduce the incidence of no/minimal pay in the third pay run (processing for which occurs on 18 April 2010).

- One of the issues which has resulted in staff receiving no or minimal pay has been casual staff rosters not being inputted into the system, due to both the backlog and the non-provision of rosters by line managers.
- To reduce this occurring in the third pay run, Queensland Health has now identified those casual staff who work regular patterns of work (for example, a staff member who has worked an average of 16 hours per week fortnight over a significant period of time, but simply across different days) and pre-emptively entered their roster in the system.
- This approach may require that future 'adjustments' need to occur (if, for example, the casual staffer is ill and does not work a shift), but will significantly reduce the number of staff who receive no or minimal pay.
- To address this issue more broadly, Queensland Health is implementing a proactive approach to increase the speed of turn around process (commencing Monday, 12 April 2010)
- Queensland Health is also in discussion with CorpTech to determine the feasibility of processing a 'dummy' payroll at a date as close as possible to the actual pay run on 18 April 2010, so that a manual check of data can be undertaken to determine if there are staff that will receive no pay. While some of these may be legitimate (ie, where casuals have worked no hours in that pay period), it is proposed that check will occur for those staff indicating as receiving no pay to confirm the accuracy of the pay run.

#### **Emergency assistance processes put in place for staff in hardship**

- After the initial pay run, a number of manual payments (ie, via cheque or overnight electronic funds transfer) were processed to staff. With the subsequent approach of Easter, a formalised process was put in place for Easter (2-5 April) and then strengthened for the weekend of 10-11 April 2010.
- This process was the establishment of a list of officers in districts authorised to approve the disbursement of funds being developed and circulated. All these officers have been briefed to provide funds to any person that approaches them claiming they are suffering from hardship, within the normal limits of that person's earnings (that is, manual payment of cash of any amount up to \$200).
- Modes of payment are cheques, stored value cash cards (where the authorised officer accesses cash from a bank and then provides that cash to the person suffering hardship), corporate cards (in the same arrangement as cash cards) and petty cash advances. More than one payment mode can be used depending on circumstances and if more than \$200 is required.
- Four options for disbursement are in place with joint approach between districts and the payroll hub to cover key locations across the State.
- Option 1 involves districts with the ability to issue manual cheques using this facility to pay affected employees. This approach is limited in effectiveness to those locations where a bank branch is open at a suitable time during the weekend. This option is used as necessary during working days to supplement the nightly ad-hoc pay runs.
- Option 2 involves authorised district officers contacting the nominated local payroll hub with details of the staff members' names, payroll numbers and amount to be paid. Payroll staff then arrange for funds to be available for distribution.

- Option 3 is used where it is not possible to use the local payroll office. This involves the use of petty cash advances to disburse funds in the same way as the cash card process.
- Option 4 is used where other options are not available. This involves the use of corporate cards held by authorised district officers to provide the affected employee with goods and/or services to the value of \$200 (or other value as agreed).

#### Call Centre Process

- The Call Centre operates from 7am to 9pm 7 days a week (3636 0737).
- The call management systems allows the capture of details about the call, the caller, the issue at hand and provides for an automated email response acknowledging that the query has been lodged.
- After a call is lodged, all details are available in real time to a senior officers at the payroll centre at Herston who take action to assess the query, determine its priority and take corrective action as per agreed processes. Depending on the nature of the query, this includes a call to or other contact with the affected employee.
- The call centre call management system has been configured to provide the supervising payroll officers with a view which highlights those urgent cases where staff claim that they have not been paid or are in financial hardship.

#### Additional staffing implemented

- A total of 150 staff were held over following the implementation of the system (they were due to have contracts end after the first pay cycle, but given the issues that have arisen they have been extended for an indefinite period until issues are resolved).
- Additional clerical support staff are being engaged through IPA Recruitment Agency. Staff provide support in areas such as telephone calls, sorting of forms, filing, locating of information, printing of reports and similar.
- As at 1 April 2010, a further six staff had been engaged through IPA Recruitment Agency. This increased to 16 as at 6 April 2010 and by close of business on 12 April 2010 a total of 24 staff will be on hand.
- As at 12 April 2010, the 24 agency staff will have been deployed as follows. This deployment aligns with requests from the Australian Services Union, and efforts will continue to engage appropriate agency staff who have requisite skills over the coming week in discussion with the union.

Location	Number	Location	Number	Location	Number
Cairns	2	Townsville	2	Rockhampton	3
Nambour	4	Toowoomba	2	Meadowbrook	2
Gold Coast	3	Chermside	5	Herston	1
Caboolture	1	Ipswich	2	Bundaberg	1

- In addition to the agency staff above, there are a further 24 staff which will be in place by mid next week (Wednesday, 14 April 2010) across these sites. Consultation with the Australian Services Union will continue to determine locations for these staff to be deployed. This total commitment – the 48 additional staff – has been agreed with the Australian Services Union.



ATTACHMENT *TS*



Queensland Government

Mal Griferson  
Director-General

Department of Public Works

Ref: DPW01413/10

23 APR 2010

Mr G Boreham  
Managing Director  
IBM Australia and New Zealand  
Level 13, IBM Centre  
601 Pacific Highway,  
St Leonards NSW 2065

Dear Mr Boreham

The purpose of this letter is to advise of the Government's acute dissatisfaction with the recently implemented Queensland Health Workbrain/SAP payroll system as delivered by IBM. It is the Government's position that not one of the three pay runs processed since 14 March 2010 has achieved acceptable payroll delivery outcomes for health employees.

As Queensland Health staff have gained greater experience with the new payroll system, it has come to light that there are significant issues with the Workbrain rostering system and its usability by Queensland Health staff that need to be urgently addressed. These issues significantly limit the ability of staff to enter all the required payroll adjustment details within acceptable processing timeframes and cannot be dismissed as merely lack of training or unfamiliarity with the new system.

Mr Michael Walsh, Deputy Director-General of Queensland Health's Planning Division has been appointed to oversight the rectification of all issues associated with the Queensland Health payroll implementation and operation. Mr Walsh can be contacted on telephone (07) 3247 4814.

It is acknowledged that personnel from IBM, Queensland Health, CorpTech and Infor have been working closely together to identify improvements and undertake actions to mitigate or minimise the current performance and usability issues. It is also acknowledged that IBM has provided additional expert resources in its recognition of the need to resolve the usability and performance issues. The Queensland Government expects this collaboration and level of resourcing to continue until these issues are resolved.

Until these issues are resolved to the Government's satisfaction, milestone payments for system acceptance and any retentions will not be made.

Yours faithfully

  
Natalie MacDonaldd  
Acting Director-General  
Department of Public Works

  
Michael Reid  
Director-General  
Queensland Health

cc Mr W Doak, Program Director, IBM Global Business Services

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**Department of the Premier & Cabinet**

**Queensland Health Payroll  
Implementation Review**

**Stage 1 Status Report  
8 May 2010**

8 May 2010

This report contains 20 pages

QLDGDPC-10FinalReport0810-BYD\_3468853\_1

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## 1 Scope and Background

The purpose of this Report is to summarise the work undertaken to date on the review of the Queensland Health Payroll Implementation Project as per our Engagement Letter dated 12 April 2010, and subsequent amendment dated April 29 2010.

The scope of the Review includes 3 Stages of activity, as outlined in the Project Terms of Reference:

1. *Readiness for Payroll 3 and 4* – consider and challenge the processes, procedures and metrics being adopted by Queensland Health to ensure that Pay Cycle 3 and Pay Cycle 4 (under the new system) proceeds within an acceptable range of accuracy and timeliness for a payroll of this scale and complexity (from both a process and technology perspective). Provide advice on the most appropriate project governance and management arrangements in the short to medium term.
2. *Post Implementation Review of Old Health Payroll Implementation* – undertake an independent profile of the project, covering:
  - a. *Project governance and management* – including project team management; project communication; vendor management; roles, responsibilities and accountabilities, including the appropriateness of certification by all parties to rollout made in March 2010; planning; monitoring; risk management and project documentation.
  - b. *Systems design and technology support* – including system design; testing; data management; and implementation go-live readiness.
  - c. *Change management and business readiness* – including change management and business process/IT system alignment; business communication; training; end user expectation and involvement in IT systems design.
3. *Advice on Implications for broader whole of Government implementation of the proposed solution* – informed by the results of the previous stages and the lessons learned, provide advice on improvements that can be made to the planning and management of payroll system implementations in other Queensland Government Departments.

A copy of the Project Terms of Reference are enclosed as Appendix A.

This Report summarises the work undertaken as part of Stage 1 of the engagement in support of Queensland Health's readiness for Pay Cycle 3 and Pay Cycle 4:

- *Pay Cycle 3* is defined as the third pay run using the new HR Payroll System, ending in the transmission of the payment file to the Commonwealth Bank on 21 April 2010.
- *Pay Cycle 4* is defined as the fourth pay run using the new HR Payroll System, ending in the transmission of the payment file to the Commonwealth Bank on 5 May 2010.

**This Report does not include commentary on Stage 2 or Stage 3 of the Terms of Reference. We have commenced the data collection and stakeholder consultation for Stage 2 of the engagement this week.**



This Report outlines our observations regarding:

- The readiness of Queensland Health to process Pay Cycle 3 (Section 3), including recommendations in respect of project governance, metrics and the focus of key workstreams.
- The readiness of Queensland Health for Pay Cycle 4 (Section 4) including the status of recommendations made in the lead up to Pay Cycle 3.

## 2 Approach

We have worked collaboratively with the Queensland Health Payroll Stabilisation Project (PSP) Team that was established to manage the issues that arose from the implementation of the HR Payroll System in March 2010.

Our approach has been to develop an understanding of:

- the issues that have arisen from the implementation of the new HR Payroll System,
- the status and nature of Queensland Health's response to those issues, and
- to challenge the approach being adopted by Queensland Health and provide advice on modifications required to improve the readiness for Pay Cycle 3 and Pay Cycle 4.

Our work has included discussions with a number of key Queensland Health staff involved in the payroll process including:

- members of the project team established to oversee the stabilisation of the payroll system;
- staff within the Shared Services Provider (SSP);
- participation in conference calls with District CEOs, Divisional Heads and Hubs; and
- other meetings with senior management within Queensland Health.

The purpose of these meetings and discussions was to develop a high level understanding of the:

- end to end payroll process as implemented;
- systems that support the payroll process;
- identification and management of the backlog of processing to be completed;
- communication mechanisms implemented with the identified stakeholders including staff, management and unions; and
- project management approaches being adopted by Queensland Health to address the issues arising from implementation of the solution.

We also met with other stakeholder groups including Unions, the Department of Public Works (including CorpTech), and the Department of the Premier & Cabinet.

We found Queensland Health to be very co-operative, and our involvement, feedback and recommendations was welcomed by the Queensland Health team.

We discussed the approach being taken by the Queensland Health team, and provided a series of recommendations in the lead up to processing of Pay Cycle 3 and Pay Cycle 4. These were taken on board by the Queensland Health team managing the project.

### 3 High Level Observations - Pay Cycle 3

On the basis of our involvement in the lead up to the processing and distribution of Pay Cycle 3 to Queensland Health Staff, we have outlined a series of high level observations, categorised as:

- project management;
- payroll systems;
- payroll business processes; and
- communications and stakeholder management.

Prior to our involvement, Queensland Health had established a project team consisting of senior representatives drawn from the Corporate Services team and from other parts of Queensland Health. This project team (which was subsequently named the Payroll Stabilisation Project (PSP) Team), was charged with overseeing the investigation and resolution of issues identified after the implementation of the new HR Payroll system.

Significant activity was being undertaken by the PSP team to respond to the issues arising from the implementation of the new HR Payroll system. This team was meeting daily to manage activities and report on progress. However, there was a need for an improved structure, and for greater integration of the various streams of work to ensure:

- that accountabilities were clearer;
- more effective management of dependencies between the workstreams;
- that issues were being captured, addressed and closed out; and
- improved communication with all stakeholders regarding the status of the project.

The observations in Section 3 of this Report were current as at 20 April 2010.

#### 3.1 Project Management

Queensland Health has dedicated senior and experienced resources to the PSP Team to assist in the resolution of the issues that had been identified since the new HR Payroll System had gone live. It became apparent during the lead up to Pay Cycle 3 that there was a need for an improved project structure and governance of this team.

The following changes were recommended:

- The project needed to be organised around key workstreams, including:
  - District Business Requirements;
  - Payroll Business Process;
  - Payroll Systems,
  - Communications and People; and
  - Audit.

- This team needed to be supported by a dedicated Project Management Office focused on collecting and disseminating information, managing agendas, action items and minutes, and monitoring the performance of the team.
- There was a need for clearer accountability for all team members, and more specific guidance on roles, responsibilities, outcomes, and the prioritisation of the identified issues.
- Key metrics needed to be refined, gathered and reported to stakeholders. There was also a need to categorise the backlog to facilitate prioritisation of activity – focused on addressing the backlog which impacted on financial outcomes.
- Additional capability was needed to lead some of the workstreams, and the teams within the workstreams.
- Daily meetings were being held, but they required management based on standing agendas and action oriented minutes to direct the issue rectification activity.

A project team structure (as outlined in Appendix B) was recommended to Queensland Health. This team structure incorporated the recommendations made above, and Queensland Health was in the process of implementing this revised structure in the lead up to Pay Cycle 3.

### 3.2 Payroll Systems

A number of issues related to the payroll systems were identified by the core project team, Districts, the SSP, Payroll Hubs, and Unions (representing feedback from their members).

These issues related to the system performance (speed and capacity), functionality, useability and a number of other system related issues. These issues had been logged in at least five different issues registers managed by:

- the SSP;
- the QHIC Project (the Queensland Health HR Payroll Project team);
- QHEST (Queensland Health Corporate Enterprise Solutions team);
- Queensland Health Information Division; and
- CorpTech.

Information on defects and systems issues was being captured separately in each of these aforementioned issues logs. It was therefore difficult to form a complete view of the systems issues and this was a major weakness. Whilst work was being undertaken to address issues this was not being undertaken in an integrated and co-ordinated way. This therefore impacted on the ability of the team to prioritise activities in these areas and also impacted on communication with stakeholders.

We recommended the establishment of a Payroll Systems workstream to co-ordinate the approach in managing issues from a systems perspective.

There was a need for issues to be captured, categorised, prioritised, and assigned based on one issues log. A process also needed to be developed to ensure that assigned actions and status of the issues were fed back to end users and other stakeholders as to the status of their resolution.

Following such a process would then allow Queensland Health to better prioritise and direct its activities, and work more effectively with CorpTech to assist in the investigation, prioritisation and resolution of these issues.

One of the key issues noted in relation to the payroll system related to the speed of the system which impacted on processing times and productivity. A range of activities and resolution of these issues were being pursued by Queensland Health in conjunction with CorpTech to improve the speed and therefore the performance of the system..

### 3.3 Payroll Business Processes

The implementation of the new HR Payroll System changed the process used to roster and pay Queensland Health staff.

A number of key issues were identified in the revised payroll process, including:

- The difficulty being experienced by staff in the plotting, publishing and adjustment of staff rosters. This was contributing to the backlog, and impacted on the fortnightly payroll processing flows.
- The adjustments arising from the legacy Lattice Payroll System and Pay Cycles 1 and 2, and the approach being taken to manage these adjustments, including categorisation, prioritisation and processes for reducing this backlog.
- Backlog from Pay Cycle 1 and Pay Cycle 2. Whilst total backlog was being monitored there was a need for more detailed categorisation of the backlog to better direct effort on payroll adjustments.
- The need for greater clarity of the end to end payroll process to reduce the need for rework, improve speed, and define roles and responsibilities of the areas involved in the payroll process.
- A focus on employees who would receive no or minimal pays in Pay Cycle 3, including identification, case management and reporting that would improve the outcome and experience of affected staff.
- The development of Exception Reports that permit improved visibility of staff that would be impacted by Payroll 3.

We recommended that a Workstream within the project team be established to focus on the identification, assessment and improvement of the payroll business process. This workstream should draw heavily on the payroll staff located within the SSP and the Hubs.

Similarly, we recommended that a workstream should be established to ensure that District input was sought in relation to any analysis and proposed changes to the payroll business process – ensuring that any proposed changes took into account the end user of the system.

We noted that any proposed process changes needed to be evaluated to understand any impact on the performance of the payroll system.

Metrics were being captured in relation to performance of the payroll and we recommended these be extended to include additional performance measures. Suggestions in respect of the

metrics are included at **Appendix C**. These metrics were being adopted by Queensland Health in the lead up to Pay Cycle 3.

### 3.4 Communications and Stakeholder Engagement

Whilst we observed that communication processes were being undertaken by Queensland Health in relation to the HR Payroll issues, there was a need for this to be more integrated into the PSP Team, and informed by the progress in managing systems and business process issues. There was also a need to improve the consistency of the approach being adopted across the Districts and Divisions of Queensland Health.

Given the significant number of no pays in Pay Cycle 1 and Pay Cycle 2 we observed significant effort being put into the development and communication of District contingency plans to facilitate local readiness to manage any issues associated with staff reporting no or minimal pay. This included daily teleconferences with District CEOs and Divisional Managers across Queensland Health. It also included regular review at an individual employee level at the District and Divisional level of interim pay reports identifying potential no pays.

We did note opportunities to improve the engagement with the SSP and Payroll Hubs in communicating progress, and seeking their feedback on improvements.

It became apparent that a more integrated approach was required to communicate with the diverse stakeholder groups about the status of activities being undertaken by the PSP Team, and steps being taken to resolve the high priority issues identified.

We recommended the establishment of a People and Support team to integrate the communication, case management and stakeholder management activities.

### 3.5 Moving Forward – Pay Cycle 3

As at Pay Cycle 3 we believe that Queensland Health needed to:

- Take a strong project management focus with dedicated resourcing to oversee all project activity.
- Take action to better understand the payroll adjustments backlog, and develop and implement strategies to reduce the backlog, based on priorities.
- Develop an improved understanding of the end to end payroll process (to be jointly developed by the SSP and Districts), and look to implement some quick wins to remove key bottlenecks and areas of rework.
- Develop an integrated communications plan to keep all stakeholders notified of status, to more effectively case manage individual employees, and to ensure that there is a focus on feedback processes.
- Continue to engage the Districts to understand their issues, share ideas and ensure processes were put in place to manage issues and provide support to affected employees.





- Continue to work to identify, log and evaluate the systems issues, and work closely with CorpTech and IBM to ascertain how optimising the performance of the systems may assist in the improvement process.

These recommendations were captured within the recommended project team structure we recommended to Queensland Health (refer to Appendix B).

This proposed project structure was designed around workstreams which include the key priority activities. It also included support from a dedicated project management office to support consistency in approach across the workstreams.

Implementation of this structure will facilitate a more integrated and structured approach to managing the payroll system issues.

We provided Queensland Health with recommendations on the metrics which should be used to manage and report on the status of the project. These suggested metrics are included in Appendix C.

At the end of Pay Cycle 3 significant work still remained to address the issues which had been identified. Critical to the effective management of these issues was:

- the implementation of a revised project team structure aimed at ensuring greater focus in the activities of the project team, and improved visibility of the efforts being undertaken to address the issues.
- reporting performance against the agreed key metrics to focus and prioritise the team's activities, and provide a valuable tool to assist in communication of progress to stakeholders.



## 4 High Level Observations - Pay Cycle 4

Over the course of Pay Cycle 4 the recommendations we developed, or their intent, were adopted and implemented by Queensland Health.

This Section of the Report provides commentary on the progress made under each workstream of the project, the activity completed and recommendations adopted.

As a general theme we have seen greater focus in activity as a result of implementing the project team structure identified in **Appendix B**.

The current PSP Team structure as at the date of this Report is included as **Appendix D**. The PSP Team structure has continued to evolve as further work is undertaken.

Dependencies are now being more effectively managed, and there are clearer accountabilities in the workstreams. Performance is now also being reported against the key metrics which were identified in **Appendix C**.

Project activity continues to be refined and additional resources are being added to the core PSP Team as required. We continue to see involvement from senior and experienced personnel across Queensland Health, and a willingness to commit the necessary time and resources to address the issues.

Specific feedback under each of the workstreams is provided in the following Sections below.

### 4.1 Project Management

Actions implemented during Pay Cycle 4 include the following:

- *PSP Team Structure* – a revised project team structure (modelled on the recommendations contained in **Appendix B**) was implemented. This team structure is included at **Appendix D**. This team includes 18 people across the respective workstreams. The PSP Team also includes members of the Queensland Health Executive Team who are involved full time on the project.
- *Steering Committee* – the Project Team reports to a Project Steering Committee chaired by the Director-General of Queensland Health. The Steering Committee also includes senior representation from across Queensland Health and the Department of Public Works. KPMG and a representative from the Department of the Premier & Cabinet have been invited as observers to this Steering Committee. This Committee meets weekly and is now the overall approval body for all work undertaken on the Payroll Stabilisation Project.
- *Project Management Office* – a PMO function has been established as part of the project team with responsibility for co-ordination of project activity, monitoring and reporting on project activities and progress.
- *Reporting Performance* – performance is reported against the key metrics as identified in **Appendix C**.

## 4.2 Payroll Business Process

A range of activities have been undertaken since Pay Cycle 3. These are noted below:

- *Business Process Workstream* – A workstream has been established focusing on the payroll business process. This workstream is also working closely with the District Business process team to ensure that any changes which are made take into account the business requirements of the Districts.
- *Lattice Adjustments Team* – A team has been established to provide dedicated focus on processing Lattice adjustments. This team is utilising resources from across the Queensland Government to provide additional support to the Queensland Health payroll team. Additional options were also being considered to speed up the processing of Lattice adjustments.
- *Additional Staffing* – Additional employees have been recruited to augment the existing payroll team. This team will be trained in the rostering application with satellite operations being established at RBWH to work closely with the District Management to more efficiently and accurately process the rosters. A total of 30 staff have been recruited thus far with more to be recruited over coming weeks. Having this team focused on rostering will allow some of the existing payroll team to focus on processing the Lattice adjustments. It should also be noted that there have been significant increases in the staffing of the payroll function to help implement the new system. (Note: In terms of total staffing in payroll within Queensland Health – in addition to the base payroll staffing numbers of 600, 150 staff who were involved in the project have been retained; a further 68 people have been recruited to assist with stabilisation activities; and the 30 staff noted above have also been recruited to assist in rostering).
- *Ad Hoc Payment Process* – This process has been standardised to facilitate more efficient processing of pays.
- *Rostering* – As noted above, additional staff have been employed to allow more focus on rostering. The ability to efficiently and accurately plot and publish rosters has a fundamental impact on the workflow over the fortnight of the Pay Cycle. A number of process changes are being developed, including a roster template, that will improve roster plotting accuracy and the speed of roster publishing.
- *Metrics* – Standard metrics for monitoring system performance (eg outstanding adjustments and District payroll inquiries) have been developed and implemented.
- *Additional Payroll Expertise* – Queensland Health have drawn upon payroll expertise from other Government Agencies to assist the team undertaking a review of the payroll business process, and to focus on payroll process performance. These people are now embedded within the PSP Team.

### 4.3 Payroll Systems

A range of activities have been undertaken since Pay Cycle 3. These are noted below:

- *Issues Register* – The five issues registers have now been combined into one issues register, helping to ensure more efficient management and prioritisation of identified issues.
- *Speed of the System* – CorpTech (and its partners IBM and Infor) have undertaken a range of activities in relation to tuning the performance of the system since go live in an attempt to address the performance and capacity issues being experienced by users. Anecdotal evidence from users indicates that the speed of the system has improved since Pay Cycle 3. Infor have recently provided a report to IBM and CorpTech outlining the key areas of greatest potential opportunity for improvement.
- *Systems Defects* – There are a number of reported defects that need to be analysed and resolved. Changes being implemented to the Release Management governance process within Queensland Health will ensure that prioritisation and status will be better understood and improve communications with CorpTech.
- *Access to Dual Screens* – One of the improvement opportunities identified by Queensland Health was the rollout of dual screens to Payroll staff to reduce the need to switch between applications. To date 171 dual screens have been deployed to payroll staff to allow more efficient access to the systems. Remaining staff will be offered either dual screens or a larger single screen after a full analysis of the system impacts has been undertaken.
- *Functionality* – Changes have been made to the functionality of the system by the vendors to improve issues related to the rostering screens in WorkBrain. These include enhancements to the screen layout that permit users to plot and adjust rosters more accurately by ensuring that the row and column header title information are retained as the screen is scrolled.

### 4.4 Communications and Stakeholder Engagement

A range of activities has been undertaken since Pay Cycle 3. These are noted below:

- *Integrated communications strategy* – an integrated communications strategy which includes a Payroll Stabilisation Project website; FAQ's; weekly newsletter and targeted approach to managing stakeholders has been developed.
- *Contingency Plans* – Queensland Health has developed contingency plans for each District to ensure that staff who have been impacted by each Pay Cycle have rapid access to funds. An Ad Hoc Payment Process Model for high priority enquiries has been developed to clearly outline a consistent process to support staff requiring immediate payments. This model has also been included in local contingency plans.
- *People and Culture Support* – Representatives from the People and Culture team have been deployed to the Districts to help with the management of issues arising from each Pay Cycle.
- *Web Site* – A dedicated payroll assistance intranet site has been developed provides access to the updated information about the payroll situation and contact details for assistance in Districts and Divisions. A resource kit is also being developed that can be printed in hard copy for staff without access to a computer.

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- *Occupational Health and Safety Assessment* – an assessment of the working environment for payroll staff has been commissioned and is being currently undertaken.
- *Meetings* – key meetings are being held regularly with key stakeholders:
  - *Daily Meetings* – the PSP team meets daily, and this is supported by regular meetings with the District CEOs and Divisional Leaders within Queensland Health. Up to the end of Pay Cycle 4 these meetings were being held daily – they are now being held on alternate days. The purpose of these meetings is to effectively share information on progress, to prioritise activities, to action specific initiatives and to ensure there is an effective integrated response. These meetings are chaired by the Director-General of Queensland Health.
  - *Meetings with SSP and Hubs* – the PSP Team is also now meeting on a regular basis with representatives from the Hubs and SSP to provide an opportunity for input and feedback, and to update the payroll staff on progress. These meetings have proven to be a very useful communication mechanism.
  - *Union Meetings* – regular meetings are held with the Unions representing staff in Queensland Health. These meetings are focused on providing the Unions with updates on progress and the actions being taken on identified issues. They also provide a valuable forum for the Project Team to receive feedback on status.
  - *Steering Committee Meetings* – Meetings of the Payroll Stabilisation Project Steering Committee are held weekly to ensure that the progress, status, metrics and priorities are understood, and that the necessary actions are in place to deal with priorities.

## 4.5 Moving Forward

Progress has been made by Queensland Health in how the Payroll Stabilisation Project Team is structured and resourced. The project structure which has now been adopted provides a more integrated and consistent approach to the identification, assessment and resolution of these issues. The project structure and its resourcing will need to continue to evolve as further activity is undertaken across the various workstreams of the project.

A balance needs to be struck between evaluating proposed changes to the system and business processes, and taking immediate action. Any proposed changes need to be considered and evaluated by the Project Team to understand dependencies and likely impacts.

As the systems and business process changes being identified by the PSP Team are implemented, we would expect to see this have an impact on the metrics which are being captured and reported by the PSP Team.

Queensland Health employees need to be continually engaged as proposed changes are made to ensure that the impact of these changes are effectively managed. This change management activity will become critical in bedding down any future change, and we have recommended that Queensland Health add this capability to the PSP Team.

The HR and Payroll implementation within Queensland Health is complex. The Payroll Stabilisation Project will continue to require concerted effort from an integrated team to address



the issues and stabilise the payroll system and payroll business process. Each of the workstreams will need to continue to progress the plans they have developed.

In respect of the PSP Team structure:

- additional capability needs to be included to manage the change management issues (as noted above);
- work will need to continue in respect of working more closely with the Information Division within Queensland Health to ensure consistency in approach in relation to the overall governance of information technology within Queensland Health; and
- the Payroll Stabilisation Steering Committee should have the authority for ultimate approval of any systems and technology changes for the project.

The Payroll Stabilisation Project Team has briefed the Queensland Health Audit Committee (which includes representation from the Queensland Audit Office), and we recommend that the Audit Committee continue to be appraised of progress.



## 5 Disclaimers

### *Inherent Limitations*

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of Queensland Health but only to the extent of the sample surveyed, being the Department of Premier and Cabinet's approved representative sample of management and personnel / stakeholders. Any projection to the wider management and personnel / stakeholders is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Department of Premier and Cabinet and Queensland Health management and personnel / stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

### *Third Party Reliance*

This report is solely for the purpose set out in the Scope Section and for the Department of the Premier and Cabinet's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of the Department of the Premier and Cabinet in accordance with the terms of KPMG's engagement letter dated 12 April 2010. Other than our responsibility to the Department of the Premier and Cabinet, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

We understand that this report may be provided to third parties. Third parties are not a party to our engagement letter with the Department of the Premier and Cabinet and, accordingly, they may not place reliance on this report.

Third Parties acknowledge that they are not a party to the engagement letter dated 12 April 2010 whereby KPMG has been engaged by the Department of the Premier and Cabinet to undertake a review of the Queensland Health HR Payroll Implementation, and to report its findings to the



Department of the Premier and Cabinet. Our engagement was neither planned nor conducted in contemplation of the purposes for which third parties have requested the Status Report.

Accordingly, third parties acknowledge that they may not place reliance on the results and findings contained in the Status Report. KPMG shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of any reliance by third parties on the Status Report.

#### *Electronic Distribution of Reports*

This KPMG report was produced solely for the use and benefit of the Department of the Premier & Cabinet and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated 8 May 2010 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report.

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## A Appendix A – Project Terms of Reference

**Department of the Premier and Cabinet  
Review of Queensland Health Payroll  
Implementation**

**Project Terms of Reference**

### 1. Context & Background

#### *The Project*

Queensland Health has historically used the Lattice system to meet its rostering and payroll requirements. Queensland Health was notified that the Lattice system would no longer be supported, and in conjunction with the planned whole-of-Government move to SAP payroll, a decision was taken to implement a new payroll solution – SAP for payroll integrated with WorkBrain rostering solution.

A project team was established and has been working on the design, development and implementation of the new solution – with a team including Queensland Health, CorpTech, IBM and SAP.

#### *Implementation*

The new system went live on 23 March 2010.

Queensland Health pays approximately 74,000 staff in an average fortnightly pay cycle. Each pay cycle is made up of approximately 200,000 transactions. Leading up to each pay cycle, 3,000 – 4,000 adjustments are typically made on a daily basis to previously inputted pay data, covering changes relating to shift work, allowances, and on-call work etc.

Due to the cut over from the old payroll system to the new pay system, there was a significant decrease in the time available to input pay adjustments, leading to a backlog of approximately 26,000 adjustments prior to pay cycle 1 commencing. As a result approximately 7% of the pay run's value was affected, including 1,800 staff that received little or no pay.

The Department of Premier and Cabinet is now seeking external advice regarding the status of Queensland Health's capacity to meet expectations for the delivery of significantly improved outcomes in pay cycle 3 and the conduct of a broader post implementation review of the project.

### 2. Proposed Scope & Objectives

The purpose of the Project is to provide an independent review of the implementation of the new Queensland Health Payroll System.

The scope for this project will include the following stages:

3. *Readiness for Pay Cycles 3 and 4* – consider and challenge the processes, procedures and metrics being adopted by Queensland Health to ensure that Pay Cycles 3 and 4 (under the new system) proceed within a acceptable range of accuracy and timeliness for

a payroll of this scale and complexity – (from both a process and technology perspective). Provide advice on the most appropriate project governance and management arrangements in the short to medium term.

4. *Post Implementation Review of Qld Health Payroll Implementation* – undertake an independent profile of the project, covering:
  - a. Project governance and management – including project team management; project communication; vendor management; roles, responsibilities and accountabilities, including the appropriateness of certification by all parties to rollout made in March 2010; planning; monitoring; risk management and project documentation
  - b. Systems design and technology support– including system design; retesting; data management; implementation go-live readiness
  - c. Change management and business readiness – including change management and business process/IT system alignment; business communication; training; end user expectation and involvement in IT systems design
5. *Advice on Implications for broader whole of Government implementation of the proposed solution* – informed by the results of the previous stages and the lessons learned; provide advice on improvements that can be made to the planning and management of payroll system implementations in other Queensland Government Departments.

### 3. Project Governance

Overall responsibility for the project will reside with the Department of the Premier and Cabinet, with the Director-General Chairing the Project Steering Committee. The Directors-General of Queensland Health and the Department of Public Works will also be members of the Project Steering Committee as will the Deputy Director-General (Governance) Department of the Premier and Cabinet and the nominated Project Director.

A Reference Group comprising senior management of the Department of the Premier and Cabinet, Queensland Health, the Department of Public Works Committee and CorpTech will be established to provide support to the project.

External Consultants will be appointed to source and analyse data, processes and procedures, and to provide an independent, accurate and robust view of past and present Queensland Health actions to the Steering Committee.

Consultation to occur with all relevant stakeholders as required.

### 4. Timeframe & Key Milestones:

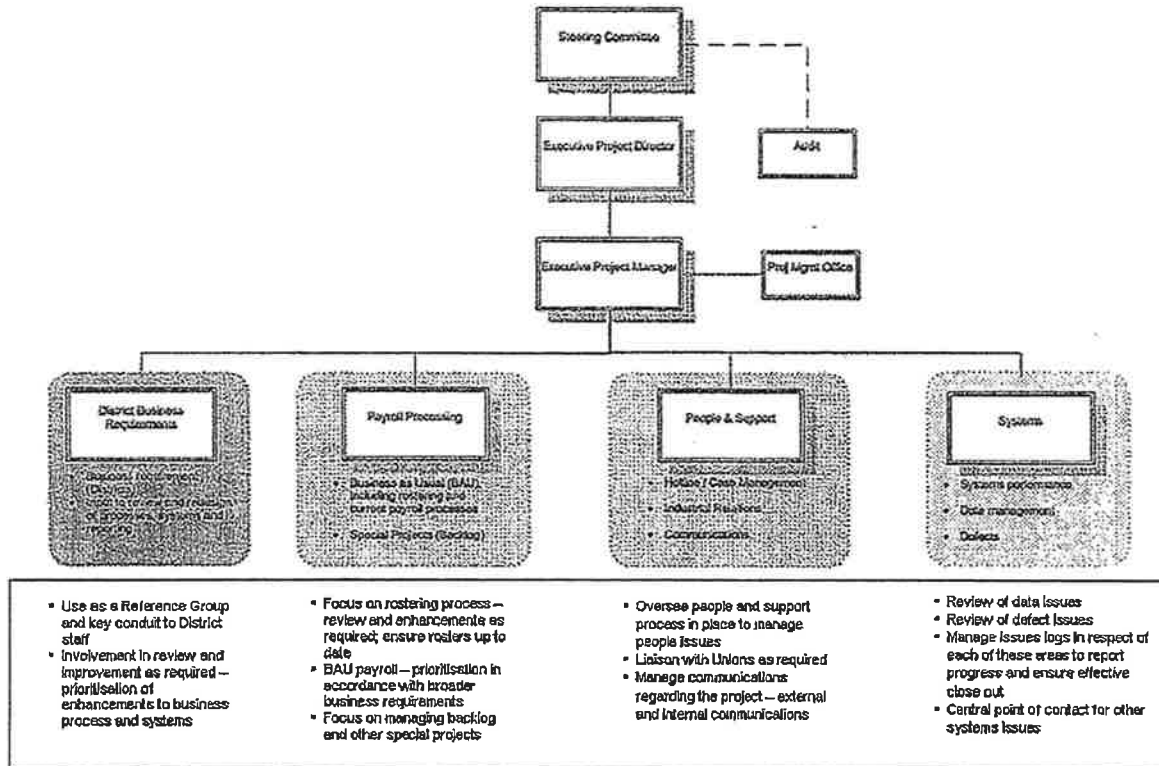
An update on the status of Stage 1 is to be provided by close of business on Thursday 15 April.

The timeframes for completion of Stages 2 and 3 of the project are to be negotiated between the Director-General DPC and the External Consultants.

**B Appendix B – Proposed Project Team Structure**

Queensland Health – Payroll Stabilisation Project Team

DRAFT



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## C Appendix C – Proposed Metrics

### Backlog

- Current pay period
- Prior Pay periods
- Lattice

### Hotline performance

- Number of calls by category
- Average wait times

### Payroll queries

- Category of queries and resolution status

### Rosters

- Roster status – received, plotted and sent
- AVACS to be processed

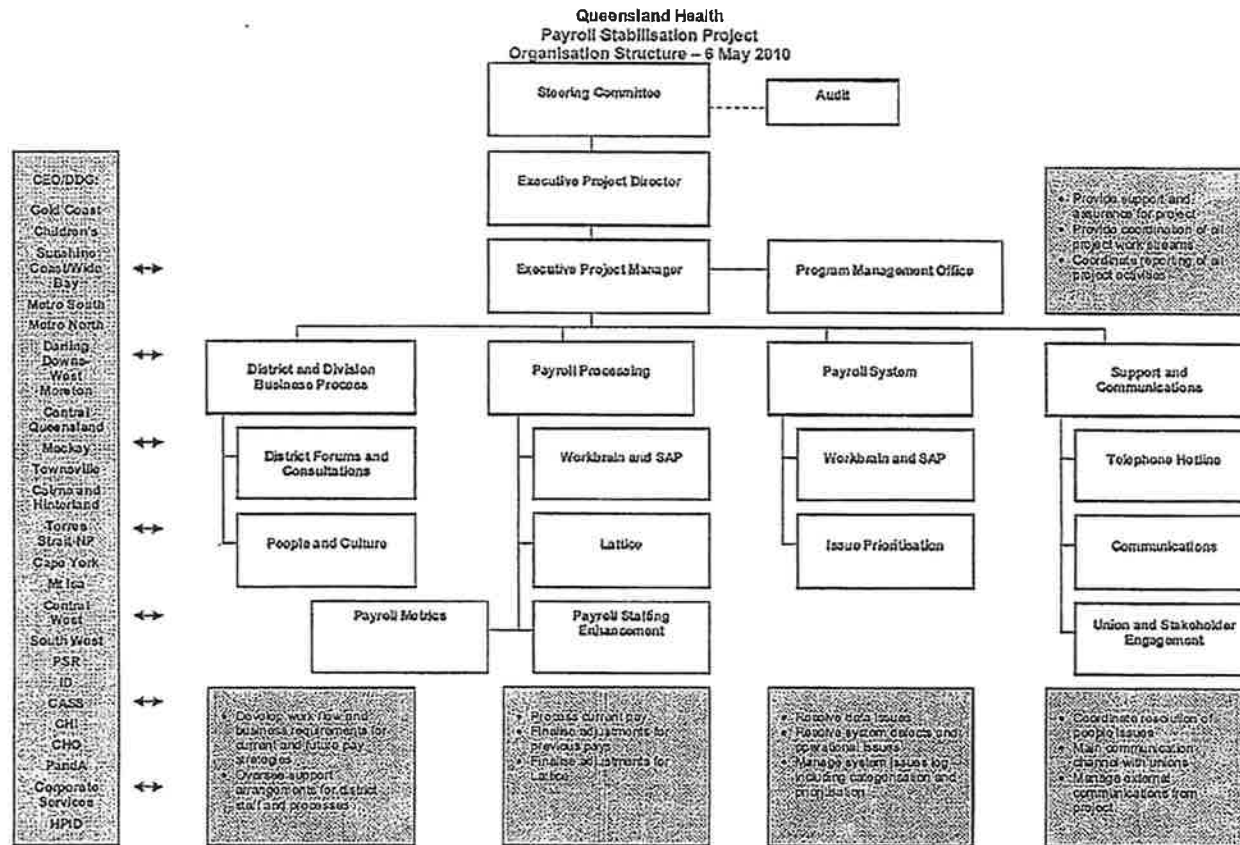
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## D Appendix D – Payroll Stabilisation Project Team Structure



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**Department of the Premier & Cabinet**

**Queensland Health Payroll  
Implementation Review  
Interim Report – Stage 2**

18 May 2010

This report contains 11 pages

QLDGDPC-10 Final Report 1810-BYD\_8588200\_2

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## 1 Scope and Background

The purpose of this Report is to summarise the work undertaken to date on the review of the Queensland Health Payroll Implementation Project as per our Engagement Letter dated 12 April 2010, and subsequent amendments dated April 29, 2010 and May 12, 2010 (see below for further details).

### 1.1 Terms of Reference

The scope of the Review includes 3 Stages of activity, as outlined in the Project Terms of Reference:

1. *Readiness for Payroll 3 and 4* – consider and challenge the processes, procedures and metrics being adopted by Queensland Health to ensure that Pay Cycle 3 and Pay Cycle 4 (under the new system) proceeds within an acceptable range of accuracy and timeliness for a payroll of this scale and complexity (from both a process and technology perspective). Provide advice on the most appropriate project governance and management arrangements in the short to medium term.
2. *Post Implementation Review of Qld Health Payroll Implementation* – undertake an independent profile of the project, covering:
  - a. *Project governance and management* – including project team management; project communication; vendor management; roles, responsibilities and accountabilities, including the appropriateness of certification by all parties to rollout made in March 2010; planning; monitoring; risk management and project documentation.
  - b. *Systems design and technology support* – including system design; testing; data management; and implementation go-live readiness.
  - c. *Change management and business readiness* – including change management and business process/IT system alignment; business communication; training; end user expectation and involvement in IT systems design.
3. *Advice on Implications for broader whole of Government implementation of the proposed solution* – informed by the results of the previous stages and the lessons learned, provide advice on improvements that can be made to the planning and management of payroll system implementations in other Queensland Government Departments.

The Stage 1 Report was completed and delivered to the Department of the Premier & Cabinet on May 8, 2010.





## 1.2 Changes to the Terms of Reference

The Terms of Reference have been subject to the following changes:

- Letter dated 29 April 2010 requesting that KPMG's work be extended to include readiness for Pay Cycle 4. Accordingly, work has only just commenced on Stage 2 with interviews being conducted with a limited number of key stakeholders over the last week.
- Letter dated May 12, 2010 noting that the Auditor-General is completing an audit of the Queensland Health Payroll Implementation and has raised concerns with the Department of the Premier & Cabinet in relation to overlaps between the KPMG Terms of Reference and the scope of his own audit. Accordingly, the KPMG Terms of Reference have been revised and at this stage no further work will be undertaken by KPMG in respect of Stages 2 and 3.

## 1.3 Interim Report Stage 2

This Report summarises the work undertaken to date as part of Stage 2 – Post Implementation Review of Qld Health Payroll.

We stress that due to the limited work undertaken we have made high level observations only, and these would need to be further validated through further consultation and review of project documentation.

It was agreed with the Steering Committee that the timeframe for the Stage 2 Review should be from January 2008 through to go-live in March 2010.



## 2 Approach

### 2.1 Approach

We propose a three step approach to Stage 2:

#### 1. Consultation with key stakeholders involved in the project including:

- Queensland Health:
  - the QHIC (Queensland Health Implementation of Continuity) team who were the project team with responsibility for managing the project;
  - the QHEST team (Queensland Health Enterprise Solutions Transition) who provided project management, business transition and functional (HR and Finance) support to the project;
  - the Payroll Stabilisation Project team (PSP);
  - The Shared Services Provider and Hubs who have responsibility within Queensland Health for the processing of payroll; and
  - A range of users drawn from across Queensland Health.
- CorpTech in their role as contract managers and owners of the whole of government payroll solution;
- the Department of Public Works;
- IBM in their role as systems integrator and prime contractor;
- the Unions (representing Queensland Health staff); and
- the Department of the Premier & Cabinet.

The purpose of these interviews will be to understand:

- The contractual framework under which the project was completed;
- The chronology of the project including key milestones and decisions;
- The role the various stakeholders played throughout the project;
- Activities completed through each stage of the project – design, build, test and deployment of the payroll solution; and
- Observations regarding the issues being experienced as a result of the implementation, and lessons learned.



2. **Data Collection and Analysis** – we will be seeking to identify and review key project documentation to understand the chronology of the project and the key decisions taken throughout the project. This will be used to validate observations made through the consultation, and will also inform our enquiries.
3. **Reporting** – including drafting the report for discussion with key stakeholders and finalising upon receipt of feedback. The report will cover off our observations about the scope in the 3 areas identified in the Terms of Reference:
  - Project governance and management;
  - Systems design and technology support; and
  - Change management and business readiness.

We will also provide feedback on lessons learned, and implications for similar projects being undertaken across Government.

## 2.2 Activities undertaken to date

### 2.2.1 Consultation

As noted in Section 1 our consultation has been limited. We have met with the following stakeholders to date:

#### *Queensland Health*

- Deputy Director-General Queensland Health – Payroll Stabilisation Project Executive Project Director;
- Deputy Director-General Corporate Services;
- Executive Director Corporate Services;
- QHIC SAP Integration Leader;
- HR Liaison Specialist, QHEST; and
- Business Integration Manager QHEST.

#### *CorpTech and the Department of Public Works*

- Associate Director-General Department of Public Works; and
- CorpTech – members of the senior management team who have responsibility for contract management and support of the whole of government payroll solution.



### 2.2.2 Project Information Reviewed

We have commenced the task of identifying and collecting relevant project information. At this stage we have not reviewed this documentation in detail. As we progress through the consultation phase we will be collecting further documentation. The documentation tends to fall into the following categories:

- Project documentation – including:
  - Contractual documentation including Statements of Work and Change Control documentation;
  - QHIC Board and Project Directorate meeting agendas, minutes and supporting documents; and
  - Strategies and reports in relation to key phases of the project – design, build, testing, business transition, and go-live.
- Supporting reports and analysis undertaken throughout the project by external parties; and
- Correspondence and briefing notes between the parties.

### 3 Summary Observations

Given our limited consultation we have reported the issues at a high level only, and would be the subject of further analysis through discussion with stakeholders and review of relevant documentation.

The interviews, as noted in Section 2.1, have been predominantly with stakeholders from across Queensland Health. We have also had the opportunity to work with the Queensland Health PSP team through Stage 1. The issues, as represented below, therefore focus more on the role that Queensland Health has played in the project. We have not as yet had the opportunity to have detailed discussion with CorpTech and IBM to comment on their role in more detail.

Scope	Initial Observations	Areas for Further Investigation
1. Project Governance and Management	<ul style="list-style-type: none"> <li><i>Governance</i> – The project governance structure improved with changes made in June 2009, but prior to this there were a number of changes and it has been reported that accountabilities and responsibilities of the respective groups (Queensland Health, CorpTech and IBM) were not always clear.</li> <li><i>Project Leadership</i> – There were also a number of reported changes in the team composition over the course of the project including changes in critical Project Manager roles (both Queensland Health and IBM). This had an impact on project knowledge and the smooth functioning of the project.</li> <li><i>Relationships</i> – Stakeholders reported significant challenges in the relationships between the Qld Health, CorpTech and IBM. This was reported to have impacted on the management of the project and the delivery of its outcomes.</li> <li><i>Contract</i> – There were different interpretations of the original contract that was negotiated with IBM in relation to the scope of what was to be delivered. This led to a number of scope changes and impacted on both project timelines and project cost.</li> <li><i>Project Management Methodology</i> – Questions were raised regarding the project methodology which was used to manage the project.</li> </ul>	<ul style="list-style-type: none"> <li><i>Governance Structure</i> – More detailed analysis of the changes in governance structure over the life of the project and how effectively these were communicated.</li> <li><i>Statements of Work (SOW)</i> – More detailed analysis of the various and change requests throughout the life of the project to ascertain the impact on the overall outcome.</li> <li><i>Project Communication</i> – Analysis of the project communications documents used throughout the project. This will be used to form a view as to the adequacy of project communication and whether this may have impacted on the understanding of roles and responsibilities, and understanding of project scope and project status.</li> <li><i>Project Management Methodology</i> – Review of project documentation to assess whether the agreed project methodology was followed, and how project progress was tracked and reported.</li> <li><i>Certification</i> – Detailed review of the documents used for certification by the Project Board and Project Directorate in support of the Go-Live decision that was taken in March 2010. This would also include detailed review of the documentation in relation to the final stage gates through which the project passed prior to Go-Live. We would also focus on the reporting of key issues, risks and the mitigation strategies.</li> </ul>



Scope	Initial Observations	Areas for Further Investigation
<p>1. Project Governance and Management (cont'd)</p>	<ul style="list-style-type: none"> <li>• <i>Go-Live decisions</i> – We understand that a number of Go Live decisions were delayed, which potentially impacted on the readiness of the business for the Payroll Solution.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Go-Live decisions</i> – We would also review the decisions that led to the changing of the Go-Live dates.</li> </ul>
<p>2. Systems Design and Technology Support</p>	<ul style="list-style-type: none"> <li>• <i>Business Requirements</i> – It does not appear that the Business requirements for the new HR payroll system (i.e. the "to be" processes) were clearly understood by all key stakeholders. These requirements formed the basis of the functional design of the new system. Responsibility for the preparation of the business and functional requirements were shared across Queensland Health and IBM.</li> <li>• <i>Testing</i> – Interviews with a variety of sources have raised concerns about the level and comprehensiveness of the testing performed on the system. Testing responsibilities were shared across Queensland Health, CorpTech and IBM.</li> <li>• <i>System Performance</i> – Post Go-Live feedback was provided by users through a number of channels that the performance of the system (WorkBrain and SAP) has not met their expectations. Furthermore it was considered that the speed of the system was impacting on staff productivity. This issue is being addressed by CorpTech and IBM.</li> <li>• <i>Data Migration</i> – The impact of the volume of data not migrated electronically as part of the data migration process was not well understood by all key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Business Requirements</i> – Obtain a better understanding of the process to develop and articulate the business requirements for the new system, and the associated roles and responsibilities. This would include understanding the consultation process undertaken to develop the requirements, and how these were validated with key users. Specifically, this would include the approach taken to determine the level of access required to SAP and WorkBrain, and how these systems were to be configured to support the Queensland Health business requirements.</li> <li>• <i>Testing</i> – Review in detail the strategies and plans employed to testing of the system throughout the entire project. This would include reviewing the results of the testing process, how these results were reported, and the actions taken to address any issues noted. This would cover all testing activities across the project.</li> <li>• <i>Data Migration</i> – Obtain a better understanding of the process to cleanse and migrate data to the new HR payroll system, and the associated roles and responsibilities.</li> </ul>

Scope	Initial Observations	Areas for Further Investigation
<p><b>3. Change Management and Business Readiness</b></p>	<p>Stakeholders raised a number of issues in relation to business readiness, and the issues being experienced as part of the implementation (backlog issues, rostering issues) support these concerns being raised. These are noted below:</p> <ul style="list-style-type: none"> <li>• <i>Project Visibility</i> – The project was not seen to have broad visibility across Queensland Health, outside those staff directly involved in the project.</li> <li>• <i>Project Focus (cont'd) – Project Focus</i> – The project was seen to be very focused on the SSP and payroll areas and not on staff in Districts. The initial focus for the project was a “like for like” replacement and by containing the change to only the SSP this was seen to be an effective way to manage the change. However, in preparation for QHIC Stage 1 there were a number of process changes which were implemented and these do not appear to have been effectively embedded in Queensland Health prior to Go-Live.</li> <li>• <i>Business Transition</i> – A business transition strategy was developed by the project team to manage the engagement of people across Queensland Health, and to assist in the communication of changes. Concerns have been raised about the effectiveness of this approach. Issues experienced with the rostering process post Go-Live provide evidence that staff were not aware of the processes which need to be followed and this had an impact on the size of the backlog and contributed to the no pay outcomes in P1 and P2.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Change Management</i> – Review in more detail the change management and business transition approach:           <ul style="list-style-type: none"> <li>- sponsorship from key stakeholders.</li> <li>- involvement from across QH.</li> <li>- Involvement of CorpTech and IBM in the support of the change management approach.</li> <li>- communication approach adopted.</li> <li>- change impact analysis.</li> <li>- feedback from users through implementation planning and how this was addressed (including consideration of feedback from user acceptance testing).</li> <li>- resourcing of this workstream and key activities undertaken.</li> </ul> </li> <li>• <i>Training</i> – Review the approach to development and delivery of training to support new users, and to introduce the new systems across Queensland Health. This would include reviewing the materials developed, looking at the training roll out strategy and the attendance at these sessions as well as reviewing any training related information prepared to support the roll out of the new system.</li> </ul>



Scope	Initial Observations	Areas for Further Investigation
3. Change Management and Business Readiness (cont'd)	<ul style="list-style-type: none"><li>• <i>Case Management</i> – The business readiness approach did not include support arrangements for managing problems and issues reported with the payroll. This is evidenced by the issues which have been reported through P1-P4, and Queensland Health's ability to quickly respond to these issues.</li><li>• <i>Workload and Resources</i> – the initial experience has shown that Queensland Health have underestimated the workload requirements to oversee effective implementation.</li></ul>	-





## 4 Disclaimers

### *Inherent Limitations*

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of Queensland Health but only to the extent of the sample surveyed, being the Department of Premier and Cabinet's approved representative sample of management and personnel / stakeholders. Any projection to the wider management and personnel / stakeholders is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Department of Premier and Cabinet and Queensland Health management and personnel / stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

### *Third Party Reliance*

This report is solely for the purpose set out in the Scope Section and for the Department of the Premier and Cabinet's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of the Department of the Premier and Cabinet in accordance with the terms of KPMG's engagement letter dated 12 April 2010. Other than our responsibility to the Department of the Premier and Cabinet, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

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Third Parties acknowledge that they are not a party to the engagement letter dated 12 April 2010 whereby KPMG has been engaged by the Department of the Premier and Cabinet to undertake a review of the Queensland Health HR Payroll Implementation, and to report its findings to the



Department of the Premier and Cabinet. Our engagement was neither planned nor conducted in contemplation of the purposes for which third parties have requested the Status Report.

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