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THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

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IN THE MATTER OF THE COMMISSIONS INQUIRY ACT 1950

COMMISSIONS OF INQUIRY ORDER (No. 1) 2012

QUEENSLAND HEALTH PAYROLL SYSTEM COMMISSION OF INQUIRY

BRISBANE

..DATE 30/04/2013

Continued from 29/04/13

DAY 22

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THE COMMISSION COMMENCED AT 10.03 AM

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COMMISSIONER: Mr Horton?

MR HORTON: Good morning, Mr Commissioner. I call as the next witness Adrian John Shea.

SHEA, ADRIAN JOHN sworn:

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COMMISSIONER: Mr Horton?

MR HORTON: Mr Shea, your statement that you prepared dated 11 April 2013 has already been tendered in the commission as exhibit 80. Have you got a copy of your statement with you?---Yes.

You began as executive director of corporate services within Queensland Health in 2008. Is that correct?---Yes, late 2008.

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Yes. I'm sorry, November 2008?---Yes, Correct.

Yes. You reported directly in that role to Mr Kalimnios as deputy director-general?---Correct.

You had people reporting to you, such as I think Janette Jones in the payroll section. Is that correct? ---Not to start with, but eventually - originally, there was a Shared Services head. After a while I became Shared Services head as well as executive director of corporate services, but Janette did report to me eventually.

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I see?---And Tony Price did.

So as Shared Services head Janette Jones became - - -? ---Correct.

- - - one of your direct reports?---Yes.

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You make the point in paragraph 9 because you began in November 2008, the project is already well advanced? ---Correct.

I think one of the original go live dates was September 2008?---Correct.

So you started after that time?---Correct.

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You did sit on the QHIC board. Is that correct?---Correct.

We see you, I think, on some occasions chairing the board. Is that right?---Correct.

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In that capacity the project directorate, I think, reported through to the board?---Correct. 1

What involvement did you have with the directorate?---Other than them reporting to the board, I didn't go to the directorate meetings, but we received advice from the directorate. Sometimes the board and directorate met as a whole, but basically the directorate advised the board and the board was there really just to protect the directorate and assist them with any issues that might have to be escalated upwards. 10

Yes. I think you become chair of the QHIC board, do you, because of Michael Kalimnios' absences - - - ?---Occasional absences, yes, and he had other priorities probably as well. I mean, this was a priority to him, so I was probably able to focus more on this than he was.

Can I take you to paragraph 23 of your statement please, Mr Shea. Here you're speaking of some defects which had been identified?---Correct. 20

You express the view - about halfway down the paragraph your view which begins, "My view had been that severity 2 defects were only those that affected net pay, but also included other critical needs relevant to the payroll"? ---Correct.

Can I show you a document please?---Yes. 30

Could the witness please be shown volume 8, Ms Associate, page 291-43.

COMMISSIONER: 291?

MR HORTON: Dash 43.

COMMISSIONER: Thank you. I must have the wrong volume. What volume? 40

MR HORTON: I might have given you the wrong volume. I'm sorry. I'm sorry, Mr Commissioner. It's volume 8. I'm sorry.

COMMISSIONER: I have got volume 8, but there's no 291-43.

MR HORTON: Yes, 291-43. This is the master test plan.

COMMISSIONER: No, I don't have that. I have got 291. 50

MR HORTON: Which was a separate document.

COMMISSIONER: No, I don't have it.

MR HORTON: I'll take you to another document which I think does the same thing, volume 5 please.

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It's page 234, Mr Shea. This is the test plan, the QHEST test plan. Do you recall this, Mr Shea, being, I think, a deliverable that QHEST was to produce under the scope?---I recall this being a requirement under the scope, but I don't recall the actual plan, but I understand. Yes.

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What I'm trying to get to is the source of your view that severity 2 defects were only those which affected net pay. I want to suggest to you that at page 258 of that document, about a third of the way down the page where it says 2-major in the table, that that's the source of the criteria which was to apply at all relevant times as to how a severity 2 defect shouldn't arise?---Yes.

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A different view seems to have been expressed by Mr Doak of IBM that severity 2 was only to arise where it affected net pay. Is that your recollection?---Correct. IBM believed that it was net payment just pay.

Yes. Was a source of that view ever articulated in a sense of there being a plan or so forth, some document by which that different criteria was set down?---I believe that we set a different criteria based on one of the documents I have in my - - -

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Yes. I think it might be page 60 of your attachments? ---Yes. So that was a fairly extended version which included reporting. Yes, it is page 60.

Yes. Can I ask you about that document? Sorry, did I cut you off?---That's fine. No, no.

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Could I take you to page 60 then and just ask you a question about it? It begins, doesn't it, "QHIC severity 2 defect criteria for UAT"?---Mm'hm.

And then there's the next line, "The following inclusions are those deemed to impact the calculation of an employee's net pay"?---Yes.

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Who wrote this document?---I'm not sure. I believe it was probably put together between Janette Jones and probably Amanda Doughty and maybe Tony Price. I don't know if he would have had input at that level and it would have included other people from the directorate, such as finance people, because I know for instance Brigid Bourke sent me a few emails very strongly pushing that net pay must include the general ledger and it would have included other people from the directorate, such as finance people, because I know for instance Brigid Bourke sent me a few emails very strongly pushing that net pay must include the general ledger.

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Yes?---So she was the chief finance officer.

COMMISSIONER: Sorry, who was that?---Brigid Bourke. She was the chief finance officer and she was strongly of the view that net pay shouldn't just be pay, but it should follow the whole end-to-end process from the beginning process of basically rostering right through to the total payment, then correcting the general ledger, superannuation being correct, tax being correct, all of the other people that we paid being correct.

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MR HORTON: Yes. So was it your understanding that net pay meant literally the wage component of a person's - - -? ---Not to me. That's what Bill, I believe, believed. Bill Doak or IBM, I don't know if it was Bill, but IBM had a belief that net pay should just be that the person is paid correctly.

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Yes, but if superannuation were excluded then simply looking at their week-to-week pay packet. Is that correct in a narrow sense?---Correct.

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May I ask you then to be shown exhibit 81, please? Now, this document, Mr Shea, seems to be more or less contemporaneous, which is at page 60 of your annexures. The two documents I want to show you are the (indistinct) QHIC project user acceptance testing and entry criteria, but in particular what might be an attachment to it, the last document, defect classification guidelines, and then at page - - -?---They're very similar.

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Should we understand the draft which we see at page 60 of your annexures becomes more or less page 4 of six of the document I'm showing you now?---It appears that, yes.

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Do you know how it came to be that the classification guidelines don't have at the commencement of them the words which I drew your attention to, "The following inclusions are those items deemed to impact the calculation of an employees net pay?---No.

You don't recall a - - -?---No.

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- - - communication about why that was excluded?---No.

Were these classification guidelines, to your knowledge, to superceded or supplement the test plan criteria to which I took you at the outset?---I can't definitely confirm, I can't tell you either way, I can't be sure. My view would be that they would be read in conjunction with any other sev 2, but I can't deem that was the case.

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Thank you. Can I ask you too, in connection with user acceptance testing, how did it come to be that IBM is having an involvement in these discussion about the criteria for UAT and the definition for the classification of defects which arise in that regard?---I actually can't definitively say either way, but I believe it was because they needed to have an understanding about processes and our requirements to assist us, but it is a good question, yeah.

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The reason I ask you is this: in the scope documents, whatever they be, responsibilities are assigned and it seems always that QHEST had responsibility for user acceptance testing?---User acceptance testing, correct.

So when we see, for example, IBM having responsibility for systems testing, IBM does that and so far as I can see in the documents Queensland Health doesn't itself intervene in systems testing. Is that your understanding?---Yes.

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But when it comes to user acceptance testing, which is the question of it all, IBM is there suggesting new criteria and new classification guidelines. Do you know how it was that IBM was at the table, so to speak, of those discussions about something which seems to have been a

QHEST deliverable?---No, I think it was more CorpTech also wanted - they kept bringing up this- IBM kept bringing up this issue of sev 2 defects. I 1

think CorpTech wanted to get rid of that issue and say that they wanted a criteria around that, but I can't - yes, I probably would agree with you that user acceptance testing was the responsibility of Queensland Health.

Can I take you, finally, on this topic to volume 9. I'll get it right this time. Page 37, and it's a QHIC agenda and minutes from 27 April 2009, and you're in attendance. You can see from the preceding page. The part I wanted to ask you about is on page 37, it's the second last paragraph where it refers to Adrian. You table there a concern over the classification of defects and out of scope items? 10
---Yes.

You'll see the rest of that paragraph there, and then the last paragraph in which there's some statements attributed to IBM. Can you just summarise, if possible, the way in which that dispute arose and how it was resolved?---I can't recall directly, but I do know there was a lot of discussion at the time around this whole sev 2 defect issue. Any defect, whether it was in scope or out of scope, and if it resulted in an issue of net pay of which we had to find then they needed to fix it. IBM's view was different to that, but they still had time lines to deliver so I guess their argument was, which is stated in that, you know, they wouldn't necessarily get to sev 3s and 4s if they had to do all sev 2s. However, my view was that if it was affecting that pay then it was paying someone incorrectly so it should be fixed. 20 30

Can I put to you a few propositions to see if I can better understand this? On one hand you look at severity 2s, if you do, as affecting pay, it doesn't matter what sort paperwork. On one hand sev 2s, if they affect pay, means if a sev 2 exists and it goes live, without taking mitigating strategies someone won't be paid correctly? 40
---Correct.

At least one person. So on one view that's a concern, on a second view one's concern with severity 2 errors to know whether they're in scope in the first place?---Which I would say that they should be in scope.

I understand. Another source of debate seems to be whether, in any event, IBM should fix the sev 2 - - -? 50
---Correct.

- - - within scope?---Yes.

Or whether it becomes something that Queensland Health's responsible for as a workaround?---Correct.

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In a third and perhaps related sense, the sev 2s become relevant to whether this system as a minimal system. Do you know where those words are coming from? As a minimal system, was something which should pay people correctly without intervention from Queensland Health?---Correct.

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And those debates don't really ever appear to have been resolved, even up to go live?---That's probably correct. There was no resolution, however the sev 2s were still net pay. We did have some workarounds where IBM couldn't deliver on time, but at the time we believed they weren't significant.

10

And if you accept for a moment that there was some part of the system that should go live with severity 2s remaining outstanding i.e. under the scope, the question seems to be which ones?---Yes.

Which sev 2s do we permit, and by that I mean Queensland Health speaking as if I were you, what ones do we commit as being ones that we're responsible for after go live. Again, while there was severity 2s which existed after go live, there doesn't at all appear to have been a principle or considered an approach to where the dividing line precisely was between minimal, if you like, and nonminimal? ---Correct. I think Janette basically decided if she could deal with the workaround then she would perform a workaround, however, I would agree that there was probably never any final resolution of when those workarounds - that was the responsibility of IBM, but then again that was a contractual issue so we didn't get involved in that at Queensland Health, which was one of the issues.

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Yes. Janette Jones' issue seems to have been almost a (indistinct) of severity 2's and that is leave aside effect on Netpay and so forth and leave aside scope and definitions, just in a practical sense, am I physically capable of doing what I can to overcome what has been identified - - -? ---Correct. That's right. So she actually had to work out the workforce implications on each of the workarounds which she did.

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Yes, she did. Before it comes to the cut over decision which the QHIC board makes I think on 1 February 2010, that issue is raised about whether the workarounds which have now been identified are ones which can be practicably managed?---Correct.

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Are there seems to have been assurance given to the QHIC board by the directorate of which Ms Jones was a member?---Mm'hm, yes.

That they were manageable?---Correct. Manageable with our FTE, or additional FTE.

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Yes?---So she did request additional funding for some of those, for FTE additional funding and that was provided.

Yes. Now, could I just take you briefly to that - - -

THE COMMISSIONER: Was the funding for additional staff, was it? Was the funding for additional staff?---Correct, to perform the workarounds so if she needed an additional two staff to perform workarounds, that would have been provided and she does mention that some time.

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How many staff were there in the payroll section of Queensland Health prior to go live during the LATTICE days?---Yes.

How many were there?---Sorry, I don't know that.

MR HORTON: Now, could I just take you, Mr Shea, to the cut over date that's in volume 14 please, Ms Associate. Mr Shea, the document begins at page 148 if you want to refamiliarise yourself with it, but it's 155 I would like to take you to specifically. 148 at the beginning and 155 is the reference. In particular on 155, it's the first row, right-hand side of that and the note, "Risk the workload required to address defects in the plan may not be achievable in the available window." So there seemed to be a residual concern whether - notwithstanding the project directorate's approval, these workarounds were still manageable?---Correct.

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Did you hold those concerns as at - - -

THE COMMISSIONER: (indistinct)?---I would have held some of those concerns but I really didn't see any other options

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at that stage and I don't know - I believe the directorate didn't either and that's - they raised it as a risk that within the 14-day window that we might not be able to perform all the workarounds but Janette was fairly certain that she could with the additional FTE provided.

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Yes. Who else besides Janette was asked or inquired about the practicability of the workarounds, having regard to this concern?---From my point of view, probably I didn't ask anyone else but Janette would have discussed it with her staff.

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Do you know how many there were?---No. Additional FTE provided?

No, workarounds?---No. Sorry.

THE COMMISSIONER: Are you talking the LATTICE days - - -? ---No.

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MR FLANAGAN: For the moment I'm talking about as at 1 February?--- Yes. No. It's in the - I think it's in one of the docs.

Yes?---It's around 20 or so, I believe.

Yes. The reason I ask you is there just seem to be a large number of things to be done and this is of course on a recurring basis, it's every pay that one has to perform them?---Mm'hm, yes.

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And the question is whether - - -?---There were a lot of workarounds being performed in LATTICE as well so LATTICE was basically a manual system for any unusual pays whereas this had automated the lot.

Perhaps on LATTICE but the devil you knew?---Correct.

There were additional FTEs to be made available full-time equivalent, that's staff?---Full-time staff.

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There were more staff you made available, and that is the workarounds under this new system. Is that correct?---Yes.

Are you able to say about how many?---No, I don't. I think it was - I remember one workaround was two FTEs but I can't remember how many was required.

Yes. Do you know whether the staff allocated to workarounds grew over time including in the period post go live?---No, I can't tell you. We definitely put on additional staff post go live but I can't tell you if it was to perform the workarounds or if it was for other reasons because of the backlog in general and the slowness of the system.

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Okay. Now, could I take you further on in your statement, please. You don't need those volumes any more, Mr Shea. Paragraph 30?---Mm'hm. 1

This concerns Mr Price's memo, dated 6 July 2009. He said he signed the memo and sent it to you. It wasn't sent up further of the line although Mr Kalimnios does seem to obtain a copy?---Yes.

Do you know the reason why the email wasn't sent further up the line that Mr Kalimnios?---As I have said in my statement, we believe the document was probably too lengthy to go to the minister and some of it was objective rather than (indistinct) so some of it was Tony's views rather than the actual critical issues that the minister could address. 10

Yes. There were other ways in which the essence of the views expressed in Mr Price's memo of 6 July were to your knowledge coming to the attention of the people senior to you?---I believe Michael briefed the director-general, I don't know if he briefed the minister but I believe he briefed the director-general, I can't confirm or deny that though. I think that that was the reason it never went further is because Michael and I decided - well, Michael decided that it was easier to do a verbal briefing because it was such a complex issue at the time. 20

Yes. You weren't present for that briefing. Is that correct?---No. 30

And did you yourself ever communicate the gist of the matters in Mr Price's memo to Mr Reid yourself or to the minister?---No, not to my knowledge anyway, sorry; not to my knowledge.

I understand. Now, could I just bring you back for a moment to the go live issue, to just ask you about some of the factors which bore on your mind in making the decision to go live, so as I understand it, the project directorate had recommended to the board that there be a go live - - - ?---Yes. 40

- - - in mid-March 2010 and the board approved the go live position?---Yes.

And I think you say that in your statement that - - -? ---Correct. We had a - sorry, did I interrupt? 50

No, I think you guessed it but I was just really saying in your statement, you really accept that responsibility for the go live board?---Correct. We did have a joint meeting between the directorate and the board and we went around every person in the room to confirm that they were happy to go live. There were no dissenting views, there were obviously - people had views that it was a potential risk or there were risks associated which we had the risk document and the mitigation strategies but there was no dissenting view of the directorate that we should not go live to my memory. Going over the whole room, we asked each individual person. 1
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Did you have reservations?---At the time? No. No, because my staff and the directorate as a whole, both from a CorpTech point of view, IBM point of view and Queensland Health point of view all believed that this system was ready to go live. There had obviously been significant issues early on, but they seemed to have improved significantly towards the end. There were some defects with workarounds, but we believed that they could be dealt with on a fortnight-to-fortnight basis until IBM fixed those. 20

What I particularly want to ask you about is the defects which had emerged in user acceptance testing which Mr Cowan from KJ Ross had identified. It seems in his final report - do you remember a 27 January 2010 report?---Yes.

He identifies defects, but in effect says, "Further UAT won't be of assistance to you"?---Correct. 30

"Because the problems which, if I'm right," he says, "the problems which I'm finding are ones which are probably systems problems and, second, I'm only finding some. There may well be" - I think he says, with respect, "there are likely to be others." Did that not cause you really very grave concerns that in fact you had identified defects, but that might be the tip of the iceberg?---I guess we all had those concerns, but could we stay in UAT forever? Could we continue to keep on - and KJ Ross basically said, "No, we couldn't stay continually doing UAT over and over again and that we should go live, but do a - or a test of the comparison between the two, LATTICE and SAP." 40

Yes. But saying that just meant, didn't it, that you were really just pushing on regardless of the warnings that KJ Ross had given?---I can't really answer that because, yes, we did push on, but that was a view of the directorate that we needed to push on and the view of KJ Ross was, "You really have no other option." 50

That's not what KJ Ross said?---Well, all - - -

KJ Ross said, "You either go back or you - - -"?---Start again.

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"- - - accept the risk"?---Correct. Go back and start again, virtually, but not go back into UAT. 1

No, exactly. Go back prior to UAT - - - ?---Correct.

- - - to address problems or address the risk?---Correct.

I'm sorry, adopt the risk?---Adopt the risk.

You said "needed to push on" why was there a need to push on?---There was a risk that LATTICE - well, I believed there was a risk with LATTICE. I had received a number of phone calls from Janette during my time, because I was the first 10

escalation point for any payroll issues, and I do remember one at 10 o'clock at night or fairly late. I was on my way home from work and her ringing me in the car saying, "We may not pay tomorrow." So LATTICE obviously was a high risk decision and I was - I guess we all had concerns that one day LATTICE would completely fall over and not pay anyone in Queensland Health. 20

You had more than concerns. Mr Burns puts the risk at extreme. We've seen other witnesses say, "Imminent risk of failure"?---Yes.

That seems to be the basis upon which the board made its decision. There was not just a concern. This was in the board's view imminent?---Correct. And Workbrain was the old rostering system. I can't remember if that's in - - - 30

Workbrain is part of the new system?---Sorry. ESP, the old rostering system was out of capacity totally.

Yes?---So that was also - we had to upgrade that virtually immediately if we were to go live.

Yes. Leave aside Ms Jones' concerns for a minute, what other sources did you go to though to check whether what Ms Jones is saying - at the coalface, other sources of information, to see whether this was really the case that LATTICE was at risk of imminent failure?---I guess I'd received the phone calls saying that it was failing on particular nights. 40

From Ms Jones?---From Ms Jones. Correct. But - - -

And who else besides Ms Jones is - - - ?---- - - Tony would have also advised me early on in the process when I was giving briefings that LATTICE was not supported and that it was - and also CorpTech had advised that, particularly with the old rostering system, it was out of capacity. So that was a definite known fact. 50

Yes. LATTICE did continue, didn't it, in other departments, other Queensland agencies, well after the go live date?---Correct. Yes. But wasn't as big a system.

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Yes. So Corrective Services still had LATTICE - - -?
---Correct.

- - - for many years after?---Yes.

And it's a rostering agency?---Yes.

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But perhaps, to take your point, not as complex as Queensland Health?---And I'm not sure they used our rostering system - our old rostering system.

Yes, I understand. Did that consideration not trump, it seems, everything else that - the consideration that LATTICE was at risk of imminent failure?---It was always in the back of our minds. One of our significant reasons was always that LATTICE failure or LATTICE and the rostering system.

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Yes. It seems to be more than in the back of your mind though at the date of the go live decision?---Correct.

It seems to have swamped the other considerations. I'll be more specific, if you like. What I mean is that it was a need in the board's mind to go live regardless of how bad the system by then that was to be instituted appeared to be?---I wouldn't say regardless of how bad it was. I would say that all of the directorate minutes say that it was ready to go. There were some risks associated with it and we knew that from all our documentation those risks had mitigation strategies in place. Everything that we were being advised was this system was ready to go and that it was ready to go live, anyway, but LATTICE was a significant issue.

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That's the evidence of Mr Shea, Mr Commissioner.

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COMMISSIONER: Mr Kent?

MR KENT: Thank you, commissioner.

Mr Shea, do you have your statement there?---Yes, I do.

Can I just take you to a couple of passages of it please and perhaps this touches on something you were just asked by counsel assisting. Can you have a look at paragraph 12, which is on page 3 please?---Mm'hm.

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You say there from when you commenced in this - - - ?
---Yes.

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- - - it was an accepted risk given that LATTICE was unstable?---Correct. **1**

You had a number of meetings with Janette Jones and Tony Cross. Correct?---Correct.

Did Ms Jones report to Mr Cross?---?---No, no.

Lack of support for LATTICE was a significant issue? ---Mm'hm. **10**

When did you start again? Was it November 2008?---November 2008.

Were you aware it had gone out of support in July 2008?---I can't tell you if I was aware of the exact date when I came into the role. I knew it was not supported when I came into the role, but I couldn't tell you when.

Okay. At paragraph 48 of the page, you mention being QHIC project board?---Mm'hm. **20**

There was another body which you mentioned further down, namely the directorate?---Correct.

Correct? Is it correct that the directorate included technical people that were sort of more hands on - - -? ---Correct.

- - - and they reported up to the overall project board. Correct?---That's correct. **30**

You do mention in paragraph 14 that Ms Jones was on the project board. Could it be that she was only on the directorate?---I think early on - the board changed towards the end, so early on the board was larger.

Right?---If you read the board minutes early on, they consist of a lot of people and later on it was sometimes just Margaret, James, myself, Michael and Ray, so the people who signed off. **40**

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That might well be the case as at go live?---Correct, I think that was the case at go live. 1

In paragraph 21, you mention that, "The board was acutely conscious of the delays of the project and the fact that the LATTICE system was regarded as unstable." So these two factors were creating a situation of escalating tension, is that a fair summary?---Correct, yes.

22, you start to deal with this idea of the severity 2 and severity 3 defects and you mention some things that John Gower had informed, correct?---Yes. 10

Or expressed his beliefs, at least?---Yes.

And you've looked at some minutes of a July meeting and there was a severity 2 defect criteria tabled by Mr Price at that stage, correct?---Yes.

Does that relate to the documents that you were shown by counsel assisting a bit earlier on?---I think so. 20

Okay. Can I take you over the page to 23, and this deals with the discussion that's already been had about severity 2 defects being confined to those affecting net payroll only?---Correct.

Is that a way of saying the amount that someone's going to be paid at the end of the day?---That was IBM's view, my view was the full end to end process, and Queensland Health's view was it was the full end to end process including the rostering process right through to checking of reports. 30

Hence the document you were taken to by counsel assisting - - -?---Correct.

- - - which was taken on at the end of the day - - -? ---Yes. 40

- - - and there are a number of items in there that refer to finance kind of elements rather than - - -?---Finance and reporting elements.

Okay. Is it fair to say that Ms Jones, being the head of payroll, was concerned about the net pay defects?---Yes.

Is it also true to say that, in your experience, you had quite a lot of contact with her in your role?---Yes, I did. 50

She was an industrious person, worked hard?---Very. During the recovery period, I was probably working well over 12, 14-hour days, and when I got in, in the morning she was there and when I left at night she was still there.

We've heard anecdotal reports of people working back until 3.00 in the morning and that kind of thing. You have to orally rather than nod?---Yes, sorry. 1

As far as you were able to observe, Ms Jones was confident and on top of her subject in relation to the payroll?
---Absolutely.

You had no real reason to challenge any judgments that she was making or expressing about all of this?---No. 10

In paragraph 27 of your statement, you deal with the fact implementation or go live had been delayed a number of times, and as I've already spoken to you about that combined with the LATTICE concerns resulted in increasing pressure?---Correct.

You considered there to be a very real risk that staff wouldn't be paid?---Yes, I did. 20

And as counsel assisting too you to, this came from Ms Jones by also from others, is that right?---I believe there were others on the directorate, particularly in CorpTech, so I would have had others in CorpTech giving me that advice as well.

And certainly - - -?---And Tony as well.

You didn't receive and dissenting advice?---No, not to my memory. 30

Okay. Do you think you would remember it if someone had said, "No, well that's actually all okay"?---Probably I would have.

All right. Can I take you, please, to paragraph 40 of your statement, which is on page 9? Is it correct to say that in an operational sense it was inadvisable to attempt go live earlier or later than March, correct?---Correct. 40

Earlier, there was problems that you outlined there about public holidays and staff being away and so forth?---Yes.

Later, there was such things as changes to EBAs coming down the pipeline?---Correct.

And some of the changes to EBAs were such that, and I think you've already confirmed this morning, to not go live in March 2010 would have almost been starting again? ---Correct. We would have had to have waited a significant amount of time. 50

And by "significant", would you have any reason to disagree with estimates that, that delay could be six, 12 or 24 months?---I think it was minimum 1 July, minimum, and I think that was a risky date because of the end of financial

year issues. So I think it was then potentially September, which is six months. 1

COMMISSIONER: I think you're plating two issues, Mr Kent, one is the time available, or at least the optimum time when the system should go live, that is, a time that doesn't involve the end of the financial year or public holidays or staff put on (indistinct) January. The other issue is: if the decision not to go live was made, if the decision was made not to go live, that would be because the system wasn't thought to be ready yet and had to be re-worked, in which case it might take six or more months. 10

MR KENT: I might expand on that with the witness, thank you, commissioner. If it wasn't able to be completed in the perhaps six months window to September, then the recommencing of the process that had been going on could mean that you have to deal with any other contingencies that arose, correct, such as other changes to EBAs - - -? ---Correct. 20

- - - or other things that you didn't know about at that stage that could be in the pipeline or over the horizon, correct?---Correct.

Which makes it longer than six months?---Yes.

All right. You do say in paragraph 41, "March 20 was a window of opportunity that the board settled on"?---Yes. 30

The areas identified by user acceptance testing were reducing in number, and that was the fourth iteration of user acceptance testing, correct?---Yes.

As I think you've mentioned as counsel assisting took you to it, your advice by then from KJ Ross was, "UAT isn't going to help you any more about this"?---No.

All right. May I take you, please, to paragraphs 48 and 50, on page 11? Paragraph 48, you mention the process whereby the defect and solution and management plan has been developed and was continually being developed, correct?---Correct. 40

This was to deal with known defects that wouldn't be resolved before go live?---Correct.

50

To your knowledge this was something that received a lot of attention from Ms Jones and her staff?---Yes. 1

And they had accepted strategies, including workarounds, dealing with all the known problems at that stage. This is the stage leading up to go live?---Yes.

Is that correct? In paragraph 50 you say, "The board, on the advice of the directorate, regarded the defect and solution management plan as adequate"?---Yes. 10

May I take you please to paragraph 52 on page 12. Towards the end of that paragraph you make this observation:

The KJ Ross report said that the risk for production roll-out could be reduced through effort being expended, executing a full system and integration test on the application as a whole. The report recognised that this might not be practical? 20

---Yes.

Do you see that there? Were you aware that to run such an exercise that is a full system and integration test on the application as a whole that means having a pay run where both LATTICE and the new solution - - - ?---Correct.

- - - were being run in parallel?---Correct. 30

Correct? I think you've told the commissioner, but you're not really aware in detail of staff numbers as at the time leading up to go live?---No.

Would you disagree with an estimate of up to 1000?---No. I believe I had about 3000 people reporting to me, so therefore 1000 in payroll is probably not - particularly towards the lead up because we had a lot of people doing testing. 40

Yes?---So I think the standard was probably lower than that, but - - -

If Ms Jones' perception was that in order to run an in parallel full system and integration test on the application as a whole that that exercise - because her staff were fully exercised - - - ?---Correct.

- - - she would need another 1000 - - - ?---Another 1000. 50

- - - or something close to it of payroll staff?---Correct.

Does that sound like something that makes that exercise impractical?---Yes. That was one of the reasons and also you couldn't actually compare the two systems because they calculated retrospective payments very differently.

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Yes, yes. All right.

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COMMISSIONER: Shouldn't you get the same answer no matter how you calculate it?--I would have thought that, too, but apparently you don't because of the retrospectivity of the way that SAP does retrospective versus how LATTICE does retrospective and I never fully understood why you never got the same result. I was advised that you didn't get the same result. It surprised me, too.

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MR KENT: May I take you please to paragraph 67.

COMMISSIONER: How do you determine which answer was correct?--A good question. I think it was only minimal because it was related to the payment on those particular days and rather than a fortnightly pay, so it was minimal, it was minimal difference, which then over 70,000 staff was significant.

MR KENT: Not to belabour this too much, hopefully, but in paragraph 67 you've mentioned that the imminent, as you understood it, failure of LATTICE was the significant drive to going live. Do you see that there?---Yes.

20

You quote from the board minutes - you've got, "The current project risks were manageable," and I think, "preventing go live at that stage"?---Yes.

All right. Were you aware to a significant degree of the problems that arose after go live?---I was involved probably - I was at the payroll area for a few months after out at Royal Brisbane, so I was aware of some of the issues, but it was predominantly management by Janette. I was assisting her. I know that sounds wrong, supervising, but I was out there to basically give her a hand and help get through the amount of workload and - - -

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Was she reporting to you?--At that stage, she had - sorry. She technically reported to Cesar Callioni, who was the head of Shared Services, but she really reported to me.

40

Do you have some knowledge of how the system performed after it went live?---Some knowledge, yes.

Were there significant problems in the first pay run?---It was more a backlog issue in the first pay run because of the window of opportunity for the pay was paying half and we always knew that there was potentially a - that was always a risk we would get behind in the first pay because of the window of opportunity was much smaller than the 14 days because it took the system a number of days to copy the data from LATTICE to - and both systems had to be taken down for a number of days, so our window was much smaller in the first pay so we had a significant backlog by the end of the first pay and also the system was slower than we were hoping it would be.

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No doubt action was taken to catch up in the - - -? 1
---Correct.

Was performance significantly better in the second pay?---I think the performance was improving. There were still issues, but there weren't - it wasn't proving IBM or CorpTech - I don't know if it was IBM, but CorpTech maybe through IBM was improving the system.

I'll just put a couple of figures briefly to you that you may have heard of, you may not, just see if you're aware of this or not. It comes from a report further up the chain, but analysis seemed to reveal that there were about \$14.5 million of funds affected in the first pay run which represents approximately 7 per cent of the total pay run for Queensland Health?---Correct. 10

Have you heard that kind of thing said?---I know the first pay run was fairly short of our normal pay run. 20

By the second pay run that amount, that is the proportion of the total pay run that was affected by these problems, had dropped to 1.7 per cent. Have you heard that before? ---That sounds reasonable.

By the third pay run the backlog of which you speak, that is backlog that required adjustments to pays, seemed to have been 9000 compared to the normal level of 3 to 4 thousand adjustments required, meaning that the payroll is becoming almost comparable with the previous system by that stage?---Correct. 30

Correct?---Correct.

Are you aware of something happening at the end of that third pay run, which was in the middle of April 2010, which created a lot of media interest in all of this?---Correct.

To your knowledge did that apparently provoke a lot of claims coming into payroll, including historical claims going back under the old system?---Yes. 40

Did that dramatically increase the workload?---I believe so and also we had Easter in that period as well, so there was downtime, obviously, for staff, but also even if we'd rostered staff through that Easter period, which we did obviously, you're still going to get issues because then you're paying higher pays and you've got all those changes because of public holidays. 50

And as far as your memory goes, the matter remained very much in the view of the media from that time onwards for some time?---Yes, I would receive nearly daily phone calls to say that we paid someone a million or two million or three million dollars and they had definite evidence that we had, so it was an ongoing issue.

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The result of all of this in June of that year was your employment terminated?---Correct.

10

Nothing further, thank you, Mr Commissioner.

COMMISSIONER: Mr Shea, I don't really understand what you're saying about the difficulty with Easter. Easter comes around every year?---Correct.

Why was Easter 2010 a problem for the payroll?---Partly because of the media issue with the person coming out and saying that you can't get your pay then go to charities, but also because of the decrease in the staff rostered through payroll.

20

I'm sorry, I missed that?---The decrease in the rostering of staff through payroll, because we had to give the staff some time off as well, so therefore that creates some backlog, and it does every year. Easter will create a backlog every year because of the staff wanting some leave at that time. The other thing, it's school holidays so payroll staff are on school holiday week as well so we did decrease staff in that period.

30

I don't understand why. These events must occur annually, perhaps more frequently than once yearly, so what was the problem in this year?---I guess because there was already a backlog, a significant backlog, so it created an even bigger backlog from that day, and compounded with the fact that we were getting inundated with requests so the backlog significantly increased over that period.

Thank you. Mr Ambrose?

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MR AMBROSE: Yes, thank you. Did I understand you to say that you sometimes represented Mr Kalimnios at the board meetings?---Correct.

And that was because he was ill?---Or had other meetings or some other reason, yes.

All right. There were times that he was ill, and I think in particular towards the end of 2009 and the early 2010 that you represented him, shall we say, at what would otherwise be regular monthly meetings with the director-general?---Yes, not that often, from memory.

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That's right, not often?---Correct, but occasionally, yes.

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In particular, in those periods that I mentioned, the end of 09 and the early 2010?---Yes. 1

If I could take you to your - - -?---I'm not sure it was right at the end of 09 because I was on leave myself in December 2009. Probably November or October, I don't know when he last - - -

And certainly in January 2010?---He could have been on leave. 10

Can I take you to your statement, please, at paragraph 37? ---Yes.

Is it fair to say that it was that confidence that was being conveyed to the director-general in that period, end 09, early 2010?---I personally would have never have had, I can't remember any conversation I personally had with the director general about that. So it would have had to have come from Michael rather than myself. 20

To your knowledge, he had that level of confidence?---I believe so, yes.

Thank you.

COMMISSIONER: Mr Sullivan?

MR SULLIVAN: Thank you, Commissioner. Mr Shea, you commenced in November 2008?---Correct. 30

In your position?---Correct.

Prior to November 2008, was there a person called Peter Douglas?---Correct.

And was he acting in your same position?---It was a slightly different position, he did apply for that position, so it was a brand new position. Peter Douglas was more in a position of a role that sort of sat between Michael and Tony Price, I believe, he wasn't actually sitting in the role of executive of corporate services. He may have for a short time when Mike first created the role. 40

What I'm interested in is in the period July to August 2008, do you know what the position he was fulfilling then?---No, but he was with Tony, I believe, between Tony and I.

And he had involvement with the QHIC project?---Yes, and the wider CorpTech government role because there was some discussion whether he could continue to keep that on, and he did for a while. 50

So he not only was sitting above Tony Price but also he interacted with CorpTech - - -?---Correct.

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- - - in relation to the QHIC project?---Correct. 1

So he would have a broad understanding of issues and problems which were existing in the July/August period 2008, to your understanding?---Yes.

Thank you. You were taken before to the July 2009 memo. I don't need to take you to it. You recall that memorandum - - -?---Yes. 10

- - - which became the briefing note?---Yes.

In your statement, if I can just take you in your statement to paragraph 31 and 32? Now, is it your recollection that Michael Kalimnios had instructed Mr Price to prepare that memorandum into a briefing note?---Even myself or Michael. If it was myself it would have been because Michael suggested it.

Is it your recollection that Mr Price sat in the QHEST, at the top of QHEST?---Correct. 20

And below him he had a number of projects which he was in charge of - - -?---Correct.

- - - not just the QHIC project?---Correct, yes.

And so he had to manage those on a weekly basis, all of those projects?---Correct. 30

But for the QHIC project, below him there was a project manager, a specific project manager?---Correct, each of these projects had a project manager.

And that was the person who had the day-to-day control of the QHIC project?---Correct.

Below the project manager there were a number of teams?---I believe so, yes. 40

There was a finance team, for instance?---Yes.

And at some stage a testing team was developed?---Correct.

And there were other teams - - -?---Correct.

- - - with that association? Now, Mr Terry Burns was retained at some stage by Queensland Health?---Yes, prior to me starting. 50

And was he performing a specific role in relation to specialist advice on quality assurance matters?---Correct, it was more a quality type role, to check on the quality of the system as a whole.

It's fair to say in relation to Mr Price he wasn't a technical person who had the expertise in computer programming and so forth?---No. 1

And he had the assistance of people such as Mr Burns?
---Correct.

And he was sitting about the same level as Mr Price in the structure?---Mr Burns didn't report to me, but he was the quality person for Mr Price so he would have taken advice from Mr Burns. 10

But, ultimately, the position that Mr Price was in, he would receive advice up the chain from the project director?---Correct.

Ultimately, the project director would have the input from team leaders within particular sections - - -?---Correct.

- - - who had expertise in their particular section?
---That's right. 20

Was one of the team leaders, for instance, a SAP expert?
---We definitely have a SAP expert who was a contractor.

Amanda Doherty?---Correct, Amanda Doherty and another - I've forgotten his surname.

COMMISSIONER: Was it (indistinct)?---Yes, I knew it was a South African name, difficult. 30

MR AMBROSE: When it came to preparing this document, which I call the "July 2009 memorandum", but in the briefing. Were you aware that what Mr Price did was gather together members of the team to assist in the drafting of that document?---Yes, I believe we did. Yes.

And that was important because they were the people who had the detail?---Correct, and that's why it's got a number of subheadings, I believe, because each of those were probably done by a different person. 40

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To the best of your recollection, what Mr Price did was to get the people who were in effect the experts in the teams together with the project manager, Mr Burns and others together to assist in the drafting of the content?
---Correct, yes. 1

And that would be because you couldn't expect Mr Price, for instance, wasn't involved in the day-to-day level and the technicality, was he?---No. 10

And that was an appropriate way for Mr Price to go about seeking the drafting of that type of document?--- Yes.

Now, could I ask you to look in your exhibits at page 70 at your exhibit AJS6?---Yes.

I think you identified as part of this drafting process, it reached the stage where at least a draft was sent to you by Mr Price?---Correct. 20

And we see that at the bottom of the document?---Mm'hm.

At the top of the document, we see the reply which you sent back to Mr Price?---Correct.

Now, you said you had some concerns about objectivity and subjectivity?---Yes.

But at least in the response you make here to Mr Price, you don't raise any difficulties with his objectivity?---No. 30

And you identify, indeed, on the first sign that most of the content is okay?---Yes.

Is that consistent with what you recollect was your response in the drafting process to Mr Price at least?
---Yes.

You identify that you wanted some of the material cut down in relation to CorpTech?---Yes. 40

Is your understanding that that was then attended to in the drafting of the documents?---I can't remember what happened to that, after that, whether he went back to his staff and discussed that document with them or whether that was overridden by Michael's decision to verbally brief Mr Reid, I can't remember.

In any event, whatever your view was might have been about - there was lack of objectivity, that wasn't communicated to Mr Price at least?---No, correct. 50

And indeed you state here that most of the content is okay?
---Yes.

You saw the final document?---Yes.

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Did you agree with its content when you saw the final document?---I agree with the content. It's too long to go to the minister which I basically said and it's long and not something that a minister would necessarily normally receive.

1

Did you understand that it in effect reflected the views of the people from the project manager, the various team leaders and people within the working groups who had the day-to-day dealings with IBM?---Yes.

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Did it generally reflect your view?---Yes.

No further questions, thank you, Commissioner.

THE COMMISSIONER: By what criteria, Mr Shea, do you decide the appropriate length for a memo to go the minister?---Usually about three pages is long.

You think it would affect attention span or business?---It was just an accepted practice, basically.

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Mr Doyle?

MR DOYLE: Thank you.

Mr Shea, in your statement you tell us at paragraph 8 you have seen copies of some change requests which you number? ---Mm'hm.

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And yet you had no involvement in initiating or approving those change requests?---To my knowledge.

Is that true of all change requests, that it was not part of your role to - - -?---Probably part of Queensland Health's role to - - -

Can I ask the question?---Sorry. Sorry about that.

It wasn't part of your role to review the requests for change or to approve them or to disapprove them as the case may be?---Correct.

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Was the process such they would come to your attention in some way?---I'm not sure it would even be that.

Right. So it is in fact possible the various change requests which were being dealt with between IBM was responsible for that were taking place without your knowledge or without you being made aware of their comment? ---Correct.

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Thank you. Could you turn next to paragraph 19 of your statement?---Mm'hm.

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Where you tell us that you're aware of something called speed and volume testing being conducted by CorpTech?---Mm'hm. 1

Yes?---Correct.

That was a form of testing of the speed of the software, both SAP and Workbrain?---Mm'hm.

And it's capacity to handle volume?---Correct. 10

Which would include the number of users who had access to them. Yes?---Correct.

Was the outcome of that testing reported to you?---Not the true actual - - -

The document, was there a document that made its way to you?---It may have. I think there was a document. There were a number of documents. I did know that there were issues - I think it's actually - stress and - - - 20

Yes, I know, never mind, that will do?---Sorry. There was a number of documents related to that, whether I actually saw the document or whether it was just minuted in the directorate or advised to us, I can't recall.

But ultimately you recall that the outcome of that was reported by CorpTech to be acceptable?---Towards the end, yes. 30

Yes?---There was a lot of issues in this period but towards the end, yes.

You're talking about mid-2009?---Correct.

We won't quibble about dates; by the end of 2009, CorpTech had by some means communicated to you that the stress and volume testing was acceptable?---Correct. 40

Thank you. Now, there's also in the middle of 2009 that briefing note which you have just been referred, 6 July 2009 briefing note. Sorry, I'm not asking you anything about your statement at the moment but Mr Sullivan was just talking to you about that briefly?---Mm'hm.

In order to form a view that you're content with its contents, can you tell me please did you go back and look - I'm asking you, did you look at the contract at between IBM and CorpTech?---No, because I never saw it. 50

You never saw it?---To my knowledge.

Right?---To my memory, I don't think I ever saw it.

Or any of the change requests, I take it?---No.

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Or any of the scoping documents, that is documents which define the contractual obligations that were to be fulfilled by IBM. No? You have to answer audibly?---No. 1

You're agreeing with me. You didn't see that?---Sorry.

You know that under - perhaps you don't know. Do you know that under the contract there were meant to be things called statements of work prepared?---Yes, I did that know that. 10

Pursuant to those statements of works, various things identified as deliverables were to be provided?---Yes.

And that they had to accepted by someone. Yes?---Yes.

And I take it that someone is not you, it's someone within CorpTech?---Yes.

I take it you did not review the deliverables or the acceptances of them prior to the 6 July memo?---Is that a negative question or a positive question? 20

Did you - yes?---Sorry.

Did you, prior to the 6 July 09 memo, review the deliverables and the acceptances of them under the various statements of work that affected Queensland Health?---No.

No? I'm sorry, I'm not sure whether you're agreeing with me. You agree you did not - - -?---I agree I did not. I agree I did not. 30

You would accept this, wouldn't you; if one reads that 6 July memo, it does not identify any failures by Queensland Health in the provision by it of information to CorpTech or to IBM?---Correct.

Or delay in doing so?---Correct. 40

Thank you. Now, I will move from that to a new topic. That is to do with the severity defect 1, 2, 3, 4 et cetera. You know that there were a series or a number of user acceptance tests being conducted by someone?---Yes.

And the someone was either Queensland Health or ultimately a company on its behalf. You knew that?---Yes.

And defects were being identified as 1, 2, 3 or 4 categories?---Yes. 50

And that there were a number of disagreements about the identification and characterization of those?---Yes.

Some of the disagreement was that the things were being identified as defects which were in fact not defects at all but rather shortcomings in the testing process. The test script, have you heard that expression?---Yes.

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Do you recall that some things were being identified as defects which in fact weren't because there was some error in the test script or in its application by the people conducting the test?---I remember that being IBM's view, correct.

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It was a contention?---Correct. Sorry. 1

There was also a contention that things were being identified as defects which were, in truth, outside the scope of what IBM had said it would do?---That was IBM's view.

It was the contention - - - ?---It was the view of IBM. Correct. 10

Tell me, you were aware of that controversy at least? ---Yes.

And it was a persistent controversy?---Correct.

You were also aware of a controversy that things were being identified as more serious a defect than they truly were; that they were really a - - - ?---That was one of the controversies, yes. 20

Okay. These were things which were examined and debated about at the project directorate level?---Correct.

Of which you were a member?---No. I was a member of the board, occasionally the directorate and the board met together.

Right. You were at least familiar with these things that have been agitated - - - ?---I was familiar with it being discussed significantly. Yes. 30

At the project directorate level?---Yes.

The fact of that discussion being reported to the board? ---To the board. Correct.

Thank you. You were shown, you will recall - I probably don't need to take you to it - in the course of your evidence, minutes of a meeting on 27 April 2009. Perhaps I will take you back to it. It's volume 9, if you have it, at page 36?---Yes. 40

You'll see that's the commencement of the minutes and you're shown as being there?---Yes.

If you turn the page under the heading Governance Board Arrangement?---Yes.

The last two paragraphs starts with "Adrian tabled"?---Yes. 50

And a discussion follows?---Correct. Yes.

So at least at that stage you were a participant in the discussion where there was debate about what was or wasn't a defect?---Correct.

What was or wasn't in scope and you expressed the view that if it affects pay, whether or not it's within scope, you wanted IBM to fix it?---Correct. 1

That was your view?---That was my view.

You wanted them to fix it without cost?---That was my view.

Whether or not it was within scope?---Correct. 10

It's right to say, isn't it, that thereafter debates, in effect, persisted about the characterisation of defects? ---Correct.

You know there was a change request - do you know - signed off on 30 June 2009 called Change Request 184?---I know about change request 184. I don't know if I ever saw change request 184.

So that we're clear, you know about it now?---I did know about it at the time. 20

Right?---But I'm not sure I actually saw the document itself. We discussed change request 184 often.

You knew that it dealt, amongst other things, with the scope of the things which IBM was to do for the LATTICE replacement system?---Correct.

Is it your recollection that you knew that it had been agreed around about the end of June 2009?---I probably knew that at the time. 30

Thank you. Nonetheless, is it right to say that your recollection is even after that there persisted disagreements between CorpTech, Queensland Health and IBM about the identification of something as a defect which was outside scope or said to be outside scope - - -?---Yes.

- - - and also the identification of things which were defects which were attributable to something about the testing script or the testing process?---Correct. Yes. 40

And also debate about the characterisation of the severity of the defect?---Yes.

That persisted throughout. Yes?---I think there was less discussion towards the end.

And ultimately you were involved in the decision to adopt this kind of analysis to look at the particular defects rather than characterising them as one, two, three or four, but to look at the particular defects and try to identify whether they were serious or not. Yes?---Yes. 50

And whether they could be - the effect of them could be mitigated by some practical step?---Correct. 1

A workaround?---Correct.

The ultimate decision which you participated in was to agree to the system going live ultimately on the basis of having identified the particular defects, those which were category 1 had to be fixed. I know you're nodding?---Yes. 10

And I'm appreciate of that, but you have got to answer orally please?---Yes.

In respect of other defects, category 2, they either had to be fixed or identified as capable of being dealt with in a practical way by some mechanism?---Workaround. Correct.

Or that the problem wouldn't arise for a very long time and so it could be dealt with post go live?---Correct. 20

Okay. In relation to that you were shown a document by my learned friend Mr Horton on 1 February 2010 which dealt with the cutover gate. I'll show it to you if you need to, but I think you'll remember what I'm talking about. There was a note that there was a risk the workaround required may not be achievable within the available window. You recall that?---Yes.

That was on 1 February?---Yes. 30

You know that there were workshops conducted within Queensland Health to consider each of the defects which were to be the subject of a possible workaround?---Yes.

That those workshops were conducted by the payroll section. Is that right?---I believe it was in conjunction with QHEST, so it was probably in conjunction with Amanda.

So two groups - - - ?---Within Queensland Health. 40

No, it's important, I think, to understand the two groups were payroll - - - ?---Correct.

- - - and QHEST?---Correct.

And the objective or the role of QHEST was to oversee the integration of the new payroll system for Queensland Health?---Yes.

And that these workshops were able to call upon the various people with expertise within Queensland Health who might need to consider the fact of the defect, whether it's major or not, and the practicability of a solution?---A workaround. 50

A workaround. So you're agreeing with me? You could call on the people - - - ?---Yes. 1

- - - with that expertise; and did so, to your knowledge? ---To my knowledge, yes.

Were they also able to consult other people if they needed to for advice about the defect and its solution?---Yes. I wouldn't have stopped them from seeking advice from anyone. 10

Do you know if they did?---I can't tell you.

All right. That was a process that went on for some weeks, the workshopping?---Yes. I believe so.

Leading ultimately to your being satisfied, or at least being told, that the solutions which they've come up with were practical workarounds capable of dealing with the identified defects?---Yes. 20

Thank you. 20

COMMISSIONER: Had you expected to get a payroll system that would operate without the need for these workarounds? ---I think that was the optimal - that was definitely the optimal to not have any workarounds. Unfortunately, we weren't in a position to accept that partly because of the - I believe the contractual requirements and also just due to the volume of work required. 30

What do you mean a contractual requirement?---With IBM in that they didn't believe that they had to do certain things, but I don't know if that's correct so I probably shouldn't - - -

It was their view?---That was their view. Correct.

MR DOYLE: I'll just see if we can't explore that a little more. I know you haven't looked at the contract?---Yes. 40

But you understood - tell me if you agree with this - that what was being provided to you initially, at least, was a LATTICE replacement system, a payroll replacement system. Yes?---Yes.

You understood it was to be an interim system, an interim solution. Have you heard of the expression interim LATTICE replacement solution?---Yes. Interim solution.

Right. Which was to have minimum functionality with a view to it providing an interim solution until the whole of the government system could be rolled out to Queensland Health? ---I'm not sure I agree with that. My view was that we had a system that would run an end-to-end process for Queensland Health payroll. 50

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Define end to end?---From rostering through to payment into the general ledger, payment of the tax, payment of all the external providers, as well as payment to the individual themselves. 1

Did you understand that you were to get something more later as part of the roll-out of the whole of government solution?---No, I'm not sure I understood that.

So your, if you like, impression was that you were to receive a fully automated end to end system - - -? 10
---Correct.

- - - without any workarounds?---Yes.

Thank you. And to the extent to which we see criticisms or observations of which you approve, that is, reports or briefing papers of which you approve, complaining you're not getting that it's because your expectation was you were entitled to get what I just purport?---Correct. 20

Thank you. I understood you to say earlier in response to a question from, I think, Mr Horton, you used the expression that you were told, "Everything was green, it was ready to go." Do you recall that expression?---Yes.

And that is something which was told to you at the QHIC board level?---Correct.

Being reported to you by the project directorate?---Yes. 30

Is that right? And by which should we understand you to be saying people were telling you that the system was in fact agreeing and ready to proceed to go live?---Yes.

Thank you. To the extent to which there were identified defects that people had satisfied themselves, appropriate measures to be taken to deal with it?---Yes.

And that was to be pursuant to something called a "defects management plan" or something similarly described? 40
---Correct.

Which was provided at least to the project directorate?
---Yes.

Was it provided to the board?---Correct, yes.

You seem to recall it was?---Yes, correct.

The subject of examination and discussion, no doubt?---Yes. 50

And the people who were advising you that it was green and ready to go were CorpTech representatives?---Correct.

Queensland Health representatives?---Yes.

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And IBM?---And IBM, yes.

1

Anyone else?---Queensland Health contractors, obviously, and CorpTech contractors. They're still Queensland Health and CorpTech.

In other words, everyone who was participating in this discussion?---Correct. Exactly.

Thank you. You've told us of some of your experience post go live where you have some knowledge of the first pay run and the second pay run and the third pay run. Is it largely as a result of things reported to you by Ms Jones? ---Yes, and from reports out of the system which would have been provided.

10

Thank you. In respect of the first - - -

COMMISSIONER: The payroll reports, were they? Were they payroll reports?---Yes, so gross pay amounts and so on out of the system.

20

MR DOYLE: Can you help me with this: I understand there to have been a Queensland Health business decision, if we can call it that, that employees would only be paid their entitlement as revealed by a roster or a roster amendment form signed, submitted and put into the system somewhere? ---Unless they were on a continuing roster is my understanding.

30

Okay. The requirements for rosters and variations to rosters has been in place in some years?---Yes.

Certainly, it was in place under LATTICE?---Yes.

And it was to be in place under the new system?---Yes.

But to coincide with the new system, it was announced that the rule was going to be more strictly adhered to and unless you had your form in you wouldn't be paid?---I believe that's correct.

40

Which compared with a more relaxed approach under LATTICE? ---Correct.

COMMISSIONER: What happened under LATTICE then if an employee was rostered and had a roster that might vary from fortnight to fortnight and didn't put the roster in?---I'm actually not sure. I believe that they were paid for previous fortnights.

50

The system is to assume they'd done the same as the previous pay run?---I believe so, I think it was a very manual system so unless you changed that it would assume that you were paid that.

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With this new system, unless there was a roster put in the system wouldn't pay you?---It would actually pay, so it was actually a system change, yes.

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MR DOYLE: It was a decision by Queensland Health to require that to be done?---Correct.

Whereas the old system you'd be continually paid until it was changed, the new rule was you had to put in a new form? ---Unless you were on a continuing roster.

10

Unless you're on a continuing roster.

COMMISSIONER: Was it a business requirement or a systems requirement or something of both?---I think it was something of both, because the system - I guess IBM could have made the system automatically pay you your previous roster, but because it was a roster driven system I think that was part of the reason but I'm not sure.

20

MR DOYLE: It was a decision by Queensland Health to require - - -?---I believe so. Correct.

- - - that the system be configured such that you wouldn't be paid under your old roster until it was changed?---I believe so.

You had to put in the new roster. Can you help me with this, please: under LATTICE the number of transactions, I think it's called, that were being coded each day was something like 3000 to 4000, that is, the number of adjustments to rosters, adjustments to pay for these variations. 3000 to 4000 a day, does that ring a bell? ---No.

30

Doesn't ring a bell?---No. It may have rung a bell at the time, but, no.

I'd like you to assume for a moment 3000 to 4000 - - -? ---Yes, okay.

40

- - - adjustments a day. You told us in respect of the first period that it was shortened by half, I think you said?---I believe it was half.

And that was because of the need to change over from one system to the other?---Correct.

That necessarily, even if you can't put a figure on it, that necessarily would cause a backlog of people dealing with these adjustments?---Correct. Even though we worked everyone overtime.

50

Of course, you'd been working everyone overtime - - -? ---Correct, for months.

- - - for months and months. It was always known to Queensland Health that if the first pay period was truncated by - the window to deal with the first pay period was truncated in the way you just described, there'd be a backlog of something?---Yes.

1

And even if you can't put a figure you'd know it'd be in the thousands or tens of thousands, would that be right? ---Potentially thousands, not tens, one would have hoped.

10

Thank you. By the second pay period, I think you said the report you were getting was that the system was improving? ---I believe so, yes.

And that continued into the third pay period?---I believe so, yes.

What in fact you were being told is that it was really operating by then as everyone expected it would be, that it was settled down and operating with the workarounds effectively dealing with - - -?---It was settling down. I wouldn't say "settled".

20

Settling?---Correct.

With the workarounds that had been put in place seeming to work?---Yes.

Thank you, nothing further.

30

COMMISSIONER: Mr Shea, I'm curious when I say that this notion that payroll system was working adequately until people were urged to seek charity if they hadn't been paid, did that have any basis of fact? Is it the case that there were people who hadn't been paid - - -?---There were still - - -

- - - for three pay runs - - -?---Correct.

- - - who needed charity?---Well, there were people who hadn't been paid, I'm not sure there was anyone that hadn't been paid for three pay runs. We went to the industrial relations commission and said that anyone that hadn't been paid through the unions could contact Janette directly, and if they hadn't been paid we would have paid them within 24 or 48 hours. And she did get a number at that stage but I think that was around week two or week three.

40

Was it the case, as we've all I think understood, that there were significant numbers of people who hadn't been paid at all?---Correct.

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Over how many pay periods?---Probably two was usually the maximum, occasionally it was three but usually by then it was causing them significant financial issues and we would be trying to assist them. Part of the issue was: particularly with casuals, if they didn't have a roster, they wouldn't get paid and sometimes a supervisor wasn't giving us the rosters then they wouldn't get - because of that issue of no roster no pay.

1

I understand the casual employees didn't also have a roster, there was some other form the name of which I forget?---Correct. Yeah, it's a variation, a something variation form.

10

All right. But in any event, either the roster or this variation form had to be somehow processed into the system for a pay to be then owed?---Correct. Yes. Because it wasn't automatically paying them, that was causing a lot of people issues so yes.

20

Thank you. Mr Traves?

MR TRAVES: Mr Shea, just on that topic, was there a direction to the departmental offices in respect of whether or not the pay people who made claims or whether it would discriminate between the claims at some point. You would reach at some point to pay them even if you can't check - - -?---Correct. There was a leave, yes. Towards week 4 - sorry, fortnight 4 or 5 I believe we were paying people based on their previous rosters from memory. I can't definitely confirm that but I believe that that would be the case.

30

All right. Just some very brief housekeeping matters; your paragraph 64 - - -?---Yes.

- - - the words in the third line had either been fully mitigated or?---Yes.

So that sentence reads, "The brief notes of the identified risks outstanding had mitigation strategies." Is that right?---Correct.

40

At paragraph 69 in the fourth line, "I signed the brief for decision," you say, "on that day." Do you wish to take out the words "on that day"?---Yes, please.

And do you believe you signed the brief for decision on 18 March?---I believe so but I can't confirm that because it was undated so I would rather just leave that "on that day".

50

All right. Paragraph 61, there's a reference there to the trial bundle 14 at 235, I can tell you and you can accept from me that's it 263?---Thank you.

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Now, is it right to say that you're not sure that that plan is the complete document?---Correct. 1

And indeed if you have been shown elsewhere without taking it to you now, have you been shown elsewhere a document from the bundle before the commission at volume 15 page 105 and perhaps also 488, 14 being version 1.1?---Correct.

THE COMMISSIONER: What page number? 10

MR TRAVES: That's TB14 at 488 and 15 at 105, version 1.1.

Mr Shea?---Yes.

Would you accept that this is subsequent documents?
---Correct.

Paragraphs 22 and 23 of your statement, there's reference there to the tabling of a QHIC severity 2 defect criteria for UAT. You have been taken - I need to take you again to it, to AJS4 to your statement, not in the bundle before the commission, at page 60. Do you recall that document?
---Yes. 20

Do you need to go to - do you know the one I'm talking about?---My page 60?

Your page 60, I think it is?---Yes.

Again, you're not sure that that's a final document?---No. 30

And indeed Mr Horton took you to a document this morning?---Correct.

Which appeared to be a subsequent - - -?---Yes.

All right. I just wanted to ask you some other questions. At page 94 of the exhibits to your statement, could you go there?---Yes. 40

Now, that is an email from you to James Brown. Could you explain - just, if you need to read it do so but explain what that document is?---I've written it as if the DG was asking me to prepare that letter but it was actually Michael who met with the DG and he wanted the letter - a letter to go from him to IBM, basically stating that if IBM didn't meet their contractual requirements that they would no longer receive work in Queensland.

All right. So the DG, your DG, had a meeting with IBM apparently - - -?---Correct. 50

- - - and wanted the letter to go from him to IBM concerning the matters in the email there?---Yes.

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And then if you go to page 95, is there some input there from Margaret Berenyi - - -?---Yes. 1

- - - by way of an email of the same date later that evening?---Correct.

And you were CCd in - sorry, it was sent to you but CCd to James Brown?---Yes.

Then if you go across to page 98 - - - 10

THE COMMISSIONER: Before you leave that, what did you understand by the tone of the letter needs to be around. Around what? Or is that a term that is used in public service?---No, I think it was around what she then said, so that was the things that Margaret wanted in that letter to be reflected in that letter.

All right, thank you.

MR TRAVES: Importantly, she is suggesting the systems not operational by the end of 2009, Q Health and DPW are considered termination of the contract?---Yes. 20

And IBM as a consequence - sorry, in that event won't be awarded contract for the work?---Correct.

And then across to 98 - I'm skipping across as it seems to be repetitious email trails?---Yes, it is. 30

From James Brown then to you, "Happy to pull a draft letter," I assume that was a draft one?---Yes.

For your consideration and subsequent onforwarding to the DG?---Yes.

Then across to 101 - - -?---Yes.

"Adrian, a suggested draft letter"?---Yes. 40

Then the attachment is apparently not there but if one goes to 103, there's a letter from you to Jackie who I suspect might be an assistant for you?---Yes.

"Can you put this into letter format and correct format for DG sign off"?---Correct.

And then the draft that you refer to is at page 104?---Yes. Yes. I believe that I didn't necessarily change the letter very much, I probably reformatted it slightly. 50

All right. "James Brown making inquiries later that day asking if there is anything that needs to be done"?---Yes.

At page 105?---Correct.

Then at 106, another message?---Correct.

1

He relates, that is Mr Brown relates there that his DG is not prepared to sign in circumstances where there is the potential threat of IBM not getting future business?
---Correct.

What do you know - did your DG send the letter? Do you know?---To the best of my knowledge, Michael took it up to him and discussed it with him and also advised that the DG of Public Works did not support it. I believe he then did not send the letter. I can't confirm though that it ever went to Mr Reid. I believe it did but I can't confirm that it did.

10

All right. And you can't confirm whether or not there was a letter sent from the director-general - - -?---I believe it was never sent.

All right. I just want to come to the go live decision and put some propositions about its context?---Yes.

20

As far as you understood at that point in time, you could not do practically a full payrun, a full parallel test?
---Correct.

There were real doubts about whether or not LATTICE could be relied upon?---Correct.

In fact, you had been advised that there was an extreme risk of failure?---Correct.

30

And if we just dwell on that a moment, a failure of LATTICE means that 78,000 people don't receive their fortnightly pay?---Correct, at all.

Was there any contingency plan whatsoever which you were aware as to how 78,000 people on a given day would be paid money they might need in order to survive for the next fortnight?---I believe the contingency was to replicate the previous pay.

40

You couldn't, at that point in time, solve all of the problems. There were evidently difficulties and so on that were referred to . Was there any practical prospect at that point that they could be resolved?---The problems with the - - -

With the whole proposal, the project?---No.

50

The board at least was not in a position to terminate the contract?---The board was not in a position to terminate the contract.

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And you were aware from the dealings with Mr Kalimnios that in both 2008 and 2009 efforts had been made with your DG to effectively extract or make extract QH from the contract or rearrange the contract in some way?---I believe so.

1

IBM was recommending you go ahead, as was CorpTech?
---Correct.

That is the contracting parties recommend the board go ahead?---Yes.

10

KJ Ross said that the risks, said that UAT should be exited?---Yes.

And the response to KJ Ross said, "The risk of delaying exceeded the risk of go live"?---Correct.

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You had a defect management plan that meant - - - 1

COMMISSIONER: Who said that? Was that Ross or someone else?

MR TRAVES: No. KJ Ross said that UAT should be exited; that nothing further could be gained.

COMMISSIONER: Yes. 10

MR TRAVES: And the response report said that the risk of delay exceeded the risk of go live.

COMMISSIONER: Whose response was that?

MR TRAVES: That's the management response. I'll take you - - -

COMMISSIONER: I have the document. 20

MR TRAVES: Yes. Said that the risk of delay exceeded the risk of go live?---Correct.

There was a defect management plan which had been formulated?---Yes.

And as you said to Mr Doyle, some people have taken some time over that in developing the plan?---Correct.

It was a serious plan intended to deal with problems which had been identified?---Yes. 30

You had been assured that it would work?---Yes, I had been.

If you didn't go live at that point in time, the next practical option might have been as early as July, but instead perhaps as late as September?---Correct.

It was costing Queensland Health something in the order of \$1 million a month not to go live?---Yes. 40

It had already been delayed significantly, the project? ---Yes.

It cost an awful lot of money?---Yes.

There was no prospect of starting again in that circumstance?---No. I didn't believe so.

So, Mr Shea, someone had to bite the bullet?---Yes. 50

And is that what the bullet did?---Yes. We had really no choice other than to go live because of all the evidence that was - I believe.

Thank you.

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COMMISSIONER: Mr Horton?

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MR HORTON: Yes.

Mr Shea, you were asked about the post go live problems?
---Yes.

And about the media attention and so forth. Could I ask
you please to be shown volume 15 of the bundle.

10

This is about that topic. Would you turn please to
page 288. It should be a QHIC board briefing note?---Yes.

Were you on the QHIC board still as at 9 April 2010?---I
believe I would have been.

Yes?---I'm not sure I would have attended, but I believe I
was on the - - -

You're still, anyway, there in Queensland Health at
that - - - ?---Yes. I was definitely in Queensland Health.

20

Turn the page if you would at 289. I want to ask you where
these potential issues fit within the ones you've described
as within your knowledge after go live?---Yes.

Would you look at the second paragraph under the heading
Workbrain and Multi-View Schedule Performance?---Yes.

Paragraph 2, "IBM engaged Infor from Canada and specialist
IBM resources to further analyse that problem"?---Yes.

30

Is that a problem which is one that you've spoken of in
your evidence today?---The speed of the system in the first
few pay runs was very slow.

Right?---So that actually delayed because people were
actually waiting for a response from the system so they'd
press "enter".

40

Yes?---Remember the old days with computers? You press
enter and you'd wait. That was how it was responding at
times.

Yes?---That was causing obviously delays because they'd
wait.

What sort of delays?---I think we believe that that was
actually quite - Janette believed it was significant at the
time because the speed really just compounded the backlog.
If you can't get through the backlog because when you're
processing someone it takes twice as long as it should then
it will obviously cause even more backlog.

50

It's an issue which affected something that was backlog or
not, presumably?---No, everything.

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It's just a slow system?---Sorry. Yes. Correct. 1

COMMISSIONER: Mr Horton, I'm sorry, I think I have missed the point.

MR HORTON: Sorry.

COMMISSIONER: What problem were you addressing?

MR HORTON: It was the problem of the system being slow, in effect, and I put it to the witness that it affected something, whether it was backlog or not backlog? ---Correct, everything. 10

Everything the system is doing? Were you aware at the time that IBM had engaged Infor from Canada?---Yes, I was, I believe.

Infor is the vendor of Workbrain?---Correct. 20

Then just go down under the heading Next Actions, third dot point?---Yes.

"An Infor infrastructure consultant has been working remotely with a team for the past two weeks." That's as of April. Is this still the first pay run, to your knowledge, that's being affected by the next step?---I'm not sure. Sorry.

Do you remember an Infor consultant coming on site?---I remember them coming, not to our site. It would have been to CorpTech because that was where the - - - 30

Yes. How many came?---I believe it was two, but I can't be sure, from memory.

How long did they stay?---I think it was a few weeks, but I can't, once again, be sure.

Yes. They must have - - - ?---Because I didn't arrange it, CorpTech did. 40

Yes. They must have been directing their efforts to Workbrain?---Correct.

And then just turn the page, would you, to integration issues, page 290. Were you aware at the time of what the integration issues were?---I probably was at the time, but I can't actually remember it now, unless I'll - - - 50

Under Next Action, at the bottom of the page, "IBM has been requested to address all the integration issues"?---Yes.

You see, I'm asking you this because your evidence has been, "Look, there's media attention"?---Yes.

"There's backlog and there are problems"?---There are problems. 1

What I'm really saying to you is these documents seem to suggest there are inherent system problems which affect the pay, whether or not there's media attention and whether or not there's a backlog?---Correct. And I would agree with that. I'm not denying that there were other issues as well. I don't believe it was just media and I don't believe it was - there were multiple compounding issues at the time. 10

I'm trying to get a sense of the gravity or otherwise; it's enough to call an Infor consultant from Canada?---Yes.

They remain there a few weeks and someone is working remotely. There's an integration problem. There's pay calculation errors. To your knowledge, were these incidental problems or were they major problems?---I think it was compounding problems. We had compounding of the slowness of the system, compounding of the errors in the system, compounding of the workarounds taking longer than we thought, compounding with the media attention, compounding with - I think it was just -I can't tell you which one overcame us. I really can't. 20

Could I ask you this: there's been workarounds which have been thought about in the defect management plan about such defects as have been identified?---Yes. 30

The KJ Ross report has said, "Beware, there might be defects which are not identified"?---Yes.

For which no workaround, it follows, would therefore have been thought about ahead of time?---Ahead of time. Correct.

So there then arose after go live, presumably, defects which were then detected for which there was no prearranged organised workaround?---Correct, no prearranged workaround, so Janette would sign off on a new workaround. 40

Do you know how many new workarounds there were - - -? ---No.

- - - of things had been uncovered?---I can't tell you that. Sorry. I know there were a few, but I can't tell you how many. Sorry.

Thank you. That's the evidence of Mr Shea and might Mr Shea be excused? 50

COMMISSIONER: Mr Shea, thank you for your assistance? ---Yes, thank you very much.

WITNESS WITHDREW

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MR TRAVES: Mr Commissioner, could I just give you a page reference to that - - - 1

COMMISSIONER: You can.

MR TRAVES: It was the Queensland Health implementation of continuity management response to the KJ Ross report, at volume 14. The document commences at 380 and the passage to which I was making reference was at page 390. 10

COMMISSIONER: Thank you. I have the document. Thank you.

MR HORTON: I call Michael Reid.

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REID, MICHAEL affirmed:

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MR FLANAGAN: Is your full name Michael Reid?---It is.

Have you provided a statement to the inquiry, dated 23 April 2013, 16 pages together with annexures?---I have.

Have you declare the contents of that statement to be true and correct to the best of your knowledge and belief?---I have.

10

Would you look at this document, please?---Thank you.

Mr Reid, is that your statement?---It is.

I tender Mr Reid's statement.

COMMISSIONER: Mr Reid's statement is exhibit 90.

ADMITTED AND MARKED: "EXHIBIT 90"

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MR FLANAGAN: Mr Reid, were you the director-general of Health from 23 June 2008 to 22 June 2011?---I was.

You were therefore director-general when the interim Health payroll solution went live in March 2010?---That's correct.

As director-general of Health, you appreciate that it was your ultimately responsibility, was it not, to ensure that all employees of Queensland Health received their correct pay?---That is correct.

30

In examining you today, I wish to concentrate on what you knew and did before the system went live in March 2010 and what you did after the system went live after March 2010. Do you understand?---I do.

In paragraph 12 of your statement, you refer to your first briefing by Mr Kalimnios who was then the deputy director-general of Queensland Health, and that was after you commenced in your role on 23 June 2008. Yes?---That's correct.

40

Do you have a specific recollection of your first meeting with Mr Kalimnios and your first briefing by him?---General briefing, general knowledge, I met in the first week, which is within my diary, or the people corporately who reported to me. So at the starting time I really had around 30 district managers, three zonal CEOs and probably about 10 corporate people reporting directly to me.

50

All right?---An organisation I changed subsequently, so I met with Michael in that first week, I think it would have been, and broadly as with all the other deputy director-general he appraised me of his role within the organisation and the scope of this responsibilities and a

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brief summary of issues which were under consideration, which predominantly related to enterprise bargaining agreements and budget discussions. 1

Can I just put these propositions to you and see if you do recall whether certain matters were raised by Mr Kalimnios with you. First of all, did he express concerns to you in relation to the Shared Services Initiative roll-out by CorpTech at Queensland Health?---Not to that detail, from recollection. 10

All right. Did he subsequently bring those concerns to your attention?---We had discussions over time, part of which would have picked up on the decisions back in 2002 and subsequent decisions around shared services.

Did he inform you generally that there was a LATTICE replacement project going on in Queensland Health?---Yes.

Did he inform you that the initial go live date was 31 July 2008?---I don't recall but it probably would have. 20

All right. Thank you. Do you have any recollection as to why the LATTICE system was being replaced? Did you speak about that topic?---His discussion, first off from recollection, were his genuine concerns about the ongoing functionality of LATTICE in the light of trying to maintain it pending the new system coming live, and the lack of support from industry for LATTICE at the time. 30

Was that a topic that was raised with him on a number of occasions with you subsequent to his first briefing to you? ---Subsequent to the first briefing?

Yes?---No, we probably wouldn't have talked about the end until that period of time.

What was your understanding then as director-general of the need or the urgency in relation to the LATTICE payroll system being replaced?---I had a very general understanding that it was a payroll system which had some inherent faults, there were a number of workarounds. For a period of time there were people who hadn't been paid correctly within LATTICE, and it was in urgent need of replacement and wasn't supported by industry. 40

Did you have any understanding of the number of Queensland Health staff who were involved in keeping the LATTICE payroll system operating?---No. 50

When was the first time that you discussed with Mr Kalimnios IBM's performance in relation to the 5 December 2007 contract as it affected Queensland Health? ---Probably, we would have had the first discussion when I met with Mr Kalimnios after the first brief that came up

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in I think August 2008, I think, which was about two months after my arrival. 1

At this first briefing, do you have any recollection of him discussing with you the difficulties that Queensland Health were encountering in having CorpTech involved in the contractual arrangements as between IBM and the Queensland government?---Yes, because that was incorporated in the brief, which he came and saw me about. 10

I'm just trying to find out if you have any recollection of him raising that as an issue of concern at his first briefing with you?---Sorry, are you going back to the very - no, I don't, I don't recall that. Sorry, I was referring to the meeting after the first - in September or whenever it was.

I'm only testing your memory of the very first briefing at this stage, I will take you to specific documents as we go along?---Okay. 20

Did he discuss with you on this first occasion the complexities involved in the LATTICE replacement?---No.

Did you, at an early stage at least, have an appreciation that a project such as the LATTICE replacement required a high degree of cooperation between IBM, Queensland Health and CorpTech for the scope of the project to be identified? ---Not to that detail, no. 30

Can you tell us what understanding you had of the complexity of Queensland Health's payroll?---Well, I had been involved in other health systems so I had a general understanding of the complexity of a payroll system where people worked 24/7 with multiple arrangements for pay structures, but I had no in-depth detail of the Queensland complexity, I came from another state to Queensland.

Can I ask you then: in your role as director-general, did you appreciate that the LATTICE replacement program or project was operating under extremely tight time frames? ---Only in respect that Michael expressed some concerns to me at the first meeting around the functionality of LATTICE. 40

All right. Thank you. Can I then take you to the documents in some sort of chronological order, if I may? Can I take you to volume 5, page 294? For the purpose of giving your evidence, you've read this document and it's been brought to your attention. Is that correct?---That's correct. 50

Now, in relation to this particular memorandum, which is dated 29 August 2008, can I ask you this: as the director-general, did you, having read this document,

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get a feel that there was a sense of urgency in relation to what decisions needed to be made in relation to this project?---I got a feel around the concerns which obviously led to this brief coming.

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If you look at page 295, which is page 2 of the document, this is actually written by Mr Burns. Did you have any understanding of Mr Burns's role in the choosing or the evaluation of the ITO process?---No.

10

Did you have any understanding of Mr Burns's previous roles that he had with CorpTech?---No.

All right. And you had not met Mr Burns as at 29 August 2010?---No, I think I only met him once.

If you look at the third dot point on page 295, it says, "CorpTech appointed IBM as prime contractor in December 2007. IBM has failed to deliver even a basic payroll replacement solution on time." This is written as at 29 August 2008. Do you see that?---Mm.

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You recall that I asked you whether you have been told that the first contractual go live date was 31 July 2008 but there had been a change request to put that back further. Yes?---Yes.

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Did you have any understanding of that?---I didn't, no. 1

All right, thank you. This is Mr Burns' writing in this memorandum to you?---Correct.

IBM has failed to deliver even a basic payroll system solution on time, quality and budget done, due to poor project management and methodology employed. IBM has failed to take the full accountability for payroll performance and overall solution architecture. The solution as built by IBM is now failing critically in the test phase leading to a further five months' delay. 10

I'm not terribly interested in whether those are accurate statements by Mr Burns. I'm actually more interested in what they conveyed to you as director-general of health. Do you understand that?---As you would understand, I receive hundreds of briefs a week and this was a brief that came to me. It was a brief which I considered urgent enough that I immediately noted it for further information and sought a meeting with Michael Kalimnios because this was proposing a set of recommendations of which I didn't have the background knowledge for. I think to reflect the urgency I attributed to it was to understand that I very rapidly met with Michael to have a discussion about it. 20

Mr Reid, at this stage do you understand that the LATTICE replacement, at least as at 29 August 2008, was part and parcel of the whole of government approach to the roll-out out of the Shared Services initiative?---Only in the context of the broad discussions I'd had with Michael when I first met with him. 30

Can I ask you this question: did you have any understanding at this time in your role as director-general of Queensland Health whether you had the power to terminate a contract with an entity such as IBM?---That was the subject of why I wanted to speak to Michael because I'd made a set of recommendations which my understanding was from my earlier discussions were a contractual arrangement between the Department of Public Works or it may have been then Treasury and IBM, of which we were not a party to the contract. 40

Right. Can I then take you to page 295 under the heading Proposed Action and may I bring to your attention the last two dot points. The first one is:

Queensland government should examine alternatives to an IBM managed project. If Queensland Health decides to continue the relationship with IBM, it is recommended that Queensland Health engages with IBM directly and negotiates new contractual terms and conditions. 50

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Those two suggestions in terms of proposed actions were in one sense quite radical, were they not?---Yes. 1

Radical in the sense that what was being contemplated on one level was terminating Queensland Health's relationship with IBM for the purposes of doing the interim LATTICE replacement. Yes?---Yes. And I wasn't even aware of the nature of the relationship that Queensland Health had with IBM. It implied a relationship which I didn't know could be terminated, if there was one. 10

Quite. The second solution is actually looking at Queensland Health contracting directly with IBM for the purposes really of negotiating new contractual terms and conditions. Yes?---Yes.

That is a departure, entire departure, from the contractual terms and conditions contained in the contract of 5 December 2007. Yes?---Correct. And the entire departure from what had been established since 2012 for the whole of government approach for these issues. 20

Quite. Appreciating that you only came on board as director-general on 23 June 2008, by the time you received this memo in August 2008, you at least know that those who answer to you had a sense of urgency in relation to this project. Yes?---Correct.

You also knew that whether, correctly or incorrectly, they had identified a performance issue with IBM in the conduct of the project. Yes?---Correct. 30

They had also identified to you the difficulties in relation to CorpTech having the role that they had where, in effect, Queensland Health was the customer but did not have control of the contract. Yes?---Correct. The only comment - sorry, just to make a point of clarity - I was yet uncertain of when I read this before I spoke to Michael, he used the word "they" and whilst this was signed by both Adrian and Michael, I was unaware to what extent there were shared feelings around it. 40

Ultimately though, when you go and see Mr Kalimnios or have a meeting with him, he was of the same view, was he not? ---He was of the broad general view. Yes.

As a result of that broad general view expressed to you by Mr Kalimnios, you actually attended upon Mr Grierson, the director-general of public works at the time. Yes? ---Correct. 50

In relation to that meeting, do you have a specific recollection of what was said at that meeting?---I have a general recollection not a specific recollection.

Can you tell us what your general recollection is?---My general recollection was broadly there was a discussion in two fields. One was a discussion that there was real concerns about the ongoing viability of maintaining LATTICE and that we were concerned with delays that were being experienced without attributing to either party CorpTech/IBM having a new payroll rolled out and that at the very least that needed to be rectified and another discussion around whether it was in the line of what had been presented to me by my staff, of which I was unable to form at that stage a very educated decision about whether it was the right approach, about the appropriateness or otherwise of terminating the contract and following the steps outlined in the memo.

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Did Mr Grierson bring to your attention that there had been a joint decision of director-generals, including Mr Bradley, the under-treasurer, in or about 16 August 2007 whereby it was agreed that there would be a whole of government roll-out of the Shared Services initiative? ---Without the specificity of that, the general answer was yes; remembering he had also been in that role a fairly limited time to - - -

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All right. To put it bluntly, did Mr Grierson convey the message to you that, "No, you're not going to go it alone"? ---Yes.

All right. Did you disagree with him on that or did you agree with him?---No, because we did have the other discussions around trying to expedite the arrangements with CorpTech and IBM, but I took that as a whole of government approach. Whether I agreed with him or not - I didn't disagree with him at the time - I took that as a government decision.

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In the course of speaking to Mr Grierson in the presence of Mr Kalimnios, did you discuss first of all the fact that this was a three-way arrangement as between IBM, CorpTech and Queensland Health where Queensland Health was the customer?---I don't recall the specificity of that discussion.

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Did you discuss with him your own knowledge or what you had been briefed in relation to - - - ?---Yes.

Sorry. I withdraw that. Did you discuss with him what you knew as to IBM's performance or your staff's view of IBM's performance as at August 2008?---From recollection, I did.

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Can you recall what he said in relation to that?---I can't, no.

Can you tell us this: did Mr Grierson demonstrate to you that he already had some knowledge of that issue as at

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August 2008?---He certainly had knowledge of the whole of government approach because he'd been in government for a period of time in other roles. I don't recall the specificity of the knowledge he displayed to me. **1**

Sorry. My question is more about did he display any knowledge about IBM's performance in relation to the - - -? ---No, I can't.

- - - 5 December contract? All right, thank you. May I take you then to volume 6, page 199? This is a memorandum which is dated - - - **10**

COMMISSIONER: Did you say 199?

MR FLANAGAN: 199 to 200. It also might be at 195 to 196, depending what volume one has. I actually have 195 to 196 crossed out and above it 199 to 200.

COMMISSIONER: 195 I think is this. **20**

MR FLANAGAN: Mr Commissioner, is that a briefing note which is stamped 30 September 2008 at the top?

COMMISSIONER: Yes.

MR FLANAGAN: Thank you.

COMMISSIONER: Yes. **30**

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Mr Reid, you deal with this briefing note in paragraphs 20 to 24 of your statement. You can take it as read that we understand what has been said in those paragraphs but I want to take you to the briefing note itself. Under Current Issues, can I direct your attention to the very last dot point - first of all, I should start with - you will see there the very first dot point under Current Issues, the contracted day for Queensland Health's payroll system replacement is 17 November 2008, so as at 30 September 2008, you were being informed that the go live date was 17 November 2008. Yes?---That's correct. 10

All right. IBM has advised its inability to meet this date, so you were informed that a go live date was being delayed. Yes?---That's correct.

You will see there at the last dot point under Current Issues, it says:

Queensland Health has agreed with CorpTech to support IBM's proposed extension with one caveat, that IBM agree to a revised schedule of deliverables and milestones by no later than 30 November 2008. Beyond this date, Queensland Health is required to upgrade its existing rostering product. This is estimated to cost another \$2 million. Without this upgrade, Queensland Health has no ability to pay its rostered employees. 20

Then you will see the next dot point over the page at 200: 30

Failure by IBM to provide proof it can deliver the interim payroll solution beyond 30 November 2008 will result in termination of the current agreement. After this time, Queensland Health will be required to implement its contingency strategy to maintain payroll services until such time as new arrangements can be agreed with an alternative contractor to build a solution.

That is what is being contemplated here is a deadline in concrete for IBM to perform or to replace the LATTICE system, albeit an interim solution, by 30 November 2008. Yes?---Yes. 40

Now again, what is conveyed to you here is IBM not meeting a particular target date. Yes?---That's correct.

And concerns in relation to - and again, I'm not interested in the correctness, I'm just interested for the present purposes and what you knew?---Yes. 50

But you certainly knew that the performance of IBM as identified by those reporting to you, and this is actually a memo from your deputy director-general, that they were still contemplating terminating the services of IBM if they

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couldn't meet the November 2008 go live date.
Correct?---That's what it reads, yes.

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All right. Now, in relation to this note that you received or this brief you were meant to receive, I notice that you have circled "noted". Correct?---Correct.

Was there anything in this note that caused you to pause and think, "This is a project that I need to get more involved in"?---Certainly I was aware of the complexity of LATTICE. I had people who reported to me who had particular skill sets that I did not have and I depended upon a wide variety of people to undertake their role. I didn't think it was my role to manage in a detailed fashion things that I was really ignorant of and they had far greater knowledge than I and so I would have - there was certainly many issues I did get involved in where I thought I had a knowledge in the light of my statement in the first few paras about what I was appointed to do, but I didn't think that this was one that I could make a useful contribution other than support the people who were there to do the job.

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Did you think at this stage that this was the type of issue or the type of concern that should be raised with the minister or taken to the minister who was then Mr Lucas, who was the deputy premier and minister for health?---I don't think - was he at this stage? I think it might have been Mr - - -

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Mr Robertson?---Minister Robertson, yes.

I think you're right?---From recollection.

Yes?---And generally these were things that we would brief ministers around in a broad macro sense but again their interests were very much this was something that was a payroll, that needed to be done as a payroll sort of issue within the agency and like other ministers, his interest was in terms of performance around elective surgery, waiting times, new capital builds, dealing with staff in their system, so I think in a broad area of Health where there's a multiplicity of things you might be dealing with and then the unpredictable, some Hendra virus or floods or whatever, that this would not have been an issue I would have tended to have a long conversation with the minister about.

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Would you have - - -?--- On the expectation that the issues would be resolved where they should be resolved.

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Quite. The resolution that was identified in this particular memorandum to you was that if IBM did not provide the solution for the interim LATTICE replacement by November 2008, their contract would be terminated and a new contract is sought. Yes?---Not quite correct. If you look

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at the distinction between the two memos, one has the word, "it recommends these series of actions," that I take are serious actions, ie, we move away from CorpTech, move away from IBM and we set up our own contractual arrangements. If you read this memo, it's for me to note the contents of it. It doesn't recommend that I take a set of actions.

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It does identify, however, as a current issue that the failure by IBM to provide proof it can deliver the interim payroll solution beyond 3 November 2008 will result in termination of the current agreement. Yes?---Well, yes, but I don't know where the background to that decision being made within the agency. I'm not too sure we still had that capacity nor had it been agreed with CorpTech or others.

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Under the heading Impacts, if you look at it there though, what is being suggested is that every time there is a delay in go live, it has direct impacts on Queensland Health. Yes? ---Correct.

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And it is impacts that must be viewed in the context of what your own staff has identified to you as a system or an existing system in crisis. Yes?---In terms of the existing payroll system?

Yes?---I wouldn't call - I think that would be an inappropriate - they would never have called it a system in crisis.

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I'm trying to get from you then what did they explain to you as to the existing LATTICE system and its need to be replaced?---Right. Well, never was the term "in crisis" used. They explained to me that this was a system which had a lot of errors which were inherent in it, workarounds that needed to take place, ongoing features where people weren't being paid correctly, or a small number, and the lack of support by the firm which was maintaining it and a need for Queensland Health to step in to provide that support.

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You will appreciate though that every time there was a delay in the go live, it had impacts on Queensland Health. Yes?---Yes, but that has to be balanced, again, the fact that over a period of time there were - as it went through the period of go live, it wasn't a stand alone decision, or the delay, there were another set of issues around the functionality of the new payroll system.

I'm just trying to get to the heart of this?---Yes.

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This is a memorandum that is actually dated 30 September 2008?---Yes.

It is talking about a delay in a go live date. Yes?---Yes.

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We know the system actually went live in March 2010?---Yes. 1

In all, there were approximately nine delays in the go live dates. Yes?---Yes.

And you knew that every time there was a delay in the go live dates, it had an impact on Queensland Health. Yes?---Yes.

At what stage did you think or should you have thought, looking back at it now with the benefit of hindsight and we appreciate that, but looking back on it now with the benefit of the hindsight, with all these delays and go live, at what stage should you have taken control of this particular project?---I don't think I ever should have taken control of this particular project because that wasn't my role in the agency. I would look back in retrospect and say, "Went go live too early," because of the problems that were accounted when it went live. 10

Had you been more on top of this project, you could have stopped it going live, couldn't you? You had the power to stop it going live?---Yes, I did. 20

Yes. So - - -?---But it's not a power - I would have taken the advice from Michael Kalimnios in exercising that power.

But what I'm suggesting to you is that you where you have nine delayed go live dates, yes, where you have concerns being expressed to you by your staff as to the performance of IBM that it comes to a point where a director-general should micro-manage such a project?---I would not accept that at all. 30

Now, can you explain to the Commissioner why not?---Yes. As I explained earlier, I didn't think I could bring a lot of benefit to that micro-management. I had a role and an expectation by government that I was running a Health system. I employed people at all levels just as I wouldn't micro-manage Metropolitan South or Darling Downs or any other district, I had a range of people who were there to perform a role and my role was a much broader role in sitting across that in trying to put in place government policy today. It would be an inappropriate use of my time, amenity and certainly my skill set if I had tried to micro-manage it. 40

Thank you. 50

COMMISSIONER: Mr Reid, we heard yesterday from Mr Kalimnios, no doubt Mr Flanagan will come to the details of his meetings in examination, but in essence he told me that he had real concerns about the payroll replacement and he spoke to you about them with the view to having Queensland Health extricate itself from the arrangement (indistinct) and that you and Mr Grierson effectively said no, and Kalimnios said he had no - given that information from the director-general that there's been no change in the arrangements with IBM and the contract that was in place. He had no choice but to go ahead. Now, can I get your comment on that? I mean, you say he was beyond - below your level and I understand that. It was at his level. He raised it with you and got, in effect, a negative response, so what else could he have done?---I wouldn't like to put myself in Michael's mind as what else he could have done but I will reflect upon it a little bit. I didn't say no; it was a decision which was made when he and I went together to Mal Grierson who said, "No, you can't get out of this contract and IBM is where the government decision is made," so we worked in those parameters. He - from the point of the September brief in 08 through the rest of 08 and all of 09, through to the end of the year, I cannot recall receiving any other briefs from Michael on this issue. He met with me on a regular basis, probably every five or six weeks, Commissioner, and probably about half of those times we would raise payroll as an issue. Throughout 09 he gave me to understand particularly the latter half of 09, that the issues which were being identified had been resolved or were progressively being resolved. That, I take it, was backed up by Mr Price's note on the FOI that was in place around that when that came out in 10, and it was my belief and my understanding - and, of course, also backed by the board which gave a series of progressively green lights to the go live decision, and one amber at that point in time. Certainly, in my discussions with him in any point in time that it was ready to go live, at no stage did he come back to me at any time in 09 that I can recall to say that we have to re-prosecute this, and at no time did he take, from recollection, a very strong view about re-prosecuting that within CorpTech.

Mr Flanagan.

MR FLANAGAN: Thank you. Can I take you then, following on from what the commissioner just asked you, to paragraphs 25 and 26 of your statement, please, Mr Reid? Would you like to familiarise yourself again with this? ---Yes, I have.

In those paragraphs, you do identify, as you did to Mr Commissioner, that you didn't receive any formal briefing notes from Mr Kalimnios in that period that you're talking about, that is, for the remainder of 2008, which is

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October 2008, and in 2009, but you have regular meetings with him, didn't you?---I did. 1

And you've identified in paragraph 26, haven't you, the concerns that Mr Kalimnios was expressing to you in those meetings. Yes?---Yes, but bearing in mind, if I can just clarify that these weren't meetings about payroll.

But the concerns he's expressing is in relation to the payroll replacement, is it not?---Yes, sorry, I'll just clarify. The meetings were our general meetings which I think payroll might have taken 10 per cent of every five weeks. 10

Quite. I'm not concerned with the formality of the meeting, I'm not concerned with the content of the meeting, I'm concerned with the fact that what you've expressed here in paragraph 26 are the concerns that Mr Kalimnios was expressing to you at the time. Yes?---That's correct. 20

Those concerns included delays as to the replacement payroll system going live?---Correct. 20

And you were generally aware that there were numerous delays in the system going live. Yes?---Correct.

And you were at least aware at the time of those delays that the LATTICE system needed to be replaced. Yes? ---Correct. 30

He also gave you or expressed concerns to you about the risk and uncertainty as to the continued functionality of LATTICE, and he was generally dissatisfied with the progress of the replacement payroll system project and the performance of IBM in that respect. Yes?---That's correct.

It wasn't on one occasion that Mr Kalimnios expressed these concerns to you, was it?---No.

It was almost at every meeting he ha with you the same types of concerns were being brought to your attention by your deputy director-general. Yes?---No. 40

No? Why do you say that?---Well, because from the period - you are correct in saying that these are general things that he brought to my attention. He certainly didn't bring them to my attention at every meeting, that's the first point, but the second point was that it's through the period of 09 the discussions turned much more to his belief that the system was functional and it would proceed. It became less a discussion around the concerns with IBM or CorpTech on those types of things and more the discussions and less the concerns around problems that were still inherent in the payroll system and more around his concerns. He did focus a lot on the LATTICE problem, you 50

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know, that driving his thought processes of how we have to rectify this problem. 1

Apart from having trust in your deputy director-general, did you take or consider taking any action in relation to the concerns being expressed by him?---My understanding is we did have another meeting with Mal Grierson in the 09 period, and I would have raised certainly my concerns with IBM at other meetings with Mal at a senior executive level. 10

All right. Apart from going and seeing Mr Grierson, again, with Mr Kalimnios, was it not?---For one meeting I understand was with Mr Kalimnios, other meetings it was by myself.

On how many occasions did you meet with Mr Grierson in relation to the LATTICE replacement project?---My understanding was two.

Apart from going and seeing Mr Grierson, and we'll come to the content of that conversation shortly, did you take any other action apart from trusting Mr Kalimnios and his good judgement in relation to the concerns that he was expressing to you?---No, and I think it'd be fair to say that Mr Kalimnios did not ask me to take any other action, he indicated some problems he was dealing with as many of my CEOs would come to me with problems they were dealing with. Most of the times they dealt with those problems but informed me of the issues, and I cannot recall him asking me to take any other action than the actions we took in respect of this period. 20 30

Did you ever contemplate meeting with IBM representatives for the purpose of working out what was going wrong?---I have been appraised of a note from Adrian Shea to indicate that I did. I didn't meet with IBM people and I can't recall contemplating to meet with them because that was an issue, in my understanding at that stage, for Mr Grierson and IBM. 40

All right. If I take you then to paragraph 34 of your statement, and you may need to read paragraphs 32 to 34 to put them in context, and it's in relation to the memorandum of 6 July 2009 that you're giving this evidence. But in paragraph 34, you say, "I first became aware of the memorandum," and this is what we call the "price memorandum". Yes? You say:

I first became aware of the memorandum in or about 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 advise me of the issues it addressed in any detail. 50

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I don't want to challenge you on the fact that you had not seen that memorandum at the time, what I want to challenge you on is this: can I suggest, and I don't need to take you to the memorandum because you've read it for the purpose of giving evidence here today, have you not?---I have.

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And you're familiar with the issues it raised. Yes?---I am.

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And the concerns it identifies?---I am.

All right. Can I suggest that Mr Kalimnios actually discussed the contents of that memo specifically with you and gave you the effect of the concerns expressed by Mr Price in that memo?---That is not my recollection. I understand that the - my understanding is that certainly the issues - some of the issues which were in that memorandum were things he had brought to my attention, but at no stage do I recall him either with memo in hand or me seeing the memo discussing the specificity of the issues within the memo.

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If one does go to the memo, volume 9, page 240, and you look at the sorts of concerns and the identification of issues in that memo - - -

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COMMISSIONER: You mightn't have the right volume. We will get it for you. 1

MR FLANAGAN: Thank you.

Mr Reid, I don't mind you taking your time. I would like for you to tell us as at 6 July 2009 what issue or concern raised in this memo was an issue or concern that had not been previously raised by Mr Kalimnios directly with you. That is, what did you not know that reading this memo would have told you?---That would take a little bit of time. 10

All right. Would you mind doing that over the luncheon adjournment and - - -?---I'd be delighted.

- - - we won't waste time now?---Okay.

Can I suggest to you that there are in fact no concerns raised in that memo that hadn't already been raised by Mr Kalimnios. Yes?---You can suggest that. Yes. 20

Yes. What I'm suggesting is that Mr Kalimnios, being armed with this memo, raised the effect of the concerns in this memo directly with you and that resulted in your meeting with Mr Grierson.

COMMISSIONER: You're being asked to comment on that, Mr Reid?---I'm sorry. I thought I was taking that as a reflection over lunch once I read this. I would certainly - I don't think the force of the issues which would be expressed in here was the rationale for meeting with Mr Grierson, from recollection. The meeting with Mr Grierson, from recollection, was much more around the concerns of the delay with IBM and the need to rectify that, as distinct from the earlier meeting in 2008 with Mr Grierson, which was more around, "Could we cop out of the contract?" 30

Can I just ask, what did you hope to achieve from this meeting with Mr Grierson, the second meeting?---My recollection is that there was still a number of concerns that Michael was expressing to me, commissioner, about the delays to go live and functionality of LATTICE and he was trying to achieve, I understand, an arrangement whereby we could - now, I don't know where he drew the distinction, but he could gee up CorpTech and IBM to be more responsive to the requirements of Health in getting the system live. 40

Thank you. 50

MR FLANAGAN: All right, thank you.

In any event, whether the concerns in this memo or more general concerns that Mr Kalimnios had expressed to you resulted in you going and seeing Mr Grierson. Is that correct?---That's my understanding. Yes.

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Is your best - - - ?---I can't recall the meeting, but I accept that I would have. 1

My next question is: is your best recollection that Mr Kalimnios accompanied you to Mr Grierson?---My understanding is he stated that's the case and I would accept that.

All right. In logic one would want your deputy director, who knows more about the project than you, to be present for such a meeting. Yes?---Yes, in the meeting. 10

Correct. What you were trying to achieve at that meeting was a change in the status quo. Yes?---My recollection we were trying to express our concerns of the lack of responsiveness of either CorpTech or IBM to Queensland Health's needs in this matter.

Can you tell us as best you can, I appreciate your recollection is vague, but as best you can, what was discussed with Mr Grierson on that occasion?---Other than that broad statement, I would not have a memory of that meeting. 20

Do you have a memory of Mr Grierson's reaction?---No, I don't.

Do you have a memory of an action plan that was determined? ---I have a recollection that there was to be a meeting between Mr Grierson and IBM. 30

Did you attend that meeting?---No.

Were you aware that prior to this agreement that Mr Grierson would meet with IBM - were you aware that Mr Grierson was meeting with IBM on a regular basis?---I was not aware of that.

Did you know Mr Doak, who was the project manager for IBM? ---No. 40

May I ask you this: given that you're the director-general of health and it's your system or replacement system that's been delayed by disagreements between your employees and IBM in terms of scope, and we'll come back to that, but it's also been delayed to your own knowledge in terms of the go live date. Yes?---Yes.

Why didn't you attend with Mr Grierson the meeting with IBM?---From recollection it was determined by Mr Grierson that he would attend the meeting, given the contractual arrangements were between IBM and CorpTech. It wasn't something I sought not to go to. 50

No. Mr Reid, you could have insisted on being present, couldn't you?---I could have.

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Yes. Indeed, as the director-general of, in effect, the customer, you had every right to be present in a meeting with IBM. Yes?---Depending upon what the nature of the discussions would be.

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Because ultimately after the go live, you express your dissatisfaction with IBM by signing a joint letter with Natalie MacDonald, the acting director-general of public works at the time. Yes?---That's correct.

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So that's a joint representation to IBM as to what you viewed their performance to date as being and what you expected from them in the future. Yes?---At that point in time. Yes.

At that point in time?---Yes.

But that's after go live, isn't it?---That's correct.

What I'm suggesting is before go live, you were in a position as director-general of health to actually attend with Mr Grierson upon IBM for the purpose of seeking to clarify what was going wrong to determine a way forward. Yes?---I guess this goes back to your earlier question which is the extent to which I should have been involved in the detail of this project and I still took the view, and I still take the view, that the scope of my responsibilities were quite broad and with multiple reports to me and this is something I would expect that people would do off their own bat and certainly you would expect at that level that that would be something which would be managed at that level.

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No, Mr Reid. What I'm actually suggesting to you is when you find out that a project is not working, that there are numerous delayed go live dates, that there are disagreements as to scope between the customer, Queensland Health, and IBM and, indeed, CorpTech and that there are things going wrong in terms of the management of the contract because of the involvement of three parties rather than two parties, that is the very occasion when a director-general should involve him or herself?---I think you would need to view this project in the context of the other responsibilities I had. I did not have a knowledge in this area. I do not profess to have a knowledge in this area and certainly there would be many other deputy director-generals who dealt with director-generals around problems they were dealing with in an agency that was obviously the largest in the state and had the most public focus in the state. So I don't quite contend that this more than any other project lends itself to something to me managing in a more direct fashion.

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COMMISSIONER: Mr Reid, at this stage mid-2009, I take it you appreciated that the contract was between IBM and CorpTech - - - ?---Yes.

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- - - to give Queensland Health a payroll?---Yes. 1

And that, at least from Mr Kalimnios' point of view, that was an impediment in sorting the problems out and that as long as CorpTech remained the contracting party with IBM, Queensland Health's ability to take control and sort things out or change things was inevitable. Did you understand that?---I did understand that.

All right. And that if a change was to come about by which Queensland Health had a more direct relationship with IBM, for example, that was something that CorpTech had to agree with?---That was my understanding. 10

Which meant Mr Grierson?---That's correct.

And he didn't?---That's from that meeting in 2008, that was the message I got.

And 2009, I expect?---And 2009. Yes. 20

So that Mr Kalimnios' hands were tied, as were yours, no doubt, because of that contractual arrangement. If there was a change, CorpTech had to agree, and Mr Grierson wouldn't agree, was the next step to go to the minister and ask him to break the deadlock?---I recall, commissioner, talking to the minister about the difficulties we had with IBM at this stage.

Was that Mr Lucas?---With Mr Lucas at this stage. That's correct; and I recall he undertook to take it up with Minister Schwarten. We also need to recognise that at the point of this memo that I was under the undertaking that I was getting messages that the problems that were being identified were rectified, were being rectified progressively, so this is mid-2009. Indeed, Mr Price's comment on the FOI would give credence to that commentary that this was not sent on the basis that many of the issues being addressed here at management level were felt that they were being rectified and certainly all the external evidence that came to me indicated that notwithstanding the delays in go live, which are rightly identified, and the concerns we still had with LATTICE functionality that progressively the problems were being dealt with in the tripartite arrangements - were being resolved and that was right up to the point of go live or that final decision of the board where all lights were green and that was the evidence coming to me. I think whilst I recognise the issues being raised here in this brief, there's also the other commentary that subsequent to this that there was a general feeling, presumably by Michael and Adrian, that these things were being addressed. 30 40 50

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Can you just tell us about when it was that you spoke to Mr Lucas about the - - - ?---I can't recall the actual date, commissioner, but I suspect it would have been around this time or even earlier.

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Thank you.

MR FLANAGAN: Thank you.

May I then take you to paragraph 35, Mr Reid, of your statement?---Yes.

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Mr Reid, when I asked you to do the exercise over lunch, which I hate giving anyone to do over lunch, but could you also have regard to each of the concerns identified in paragraph 34(a) to (h)?---Correct.

Thank you. In paragraph 35 - - -

COMMISSIONER: What are asking Mr Reid to do?

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MR FLANAGAN: I'm going to ask Mr Reid to look at the memo of 6 July 2008, the Price memo - 6 July 2009 - - - ?---Yes.

- - - the Price memo and to identify whether that memo raised any concerns that he was not already familiar with as identified in paragraph 34 of his statement.

COMMISSIONER: Yes. I see.

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MR FLANAGAN: Yes.

Mr Reid, in paragraph 35 you deal with the Grierson meeting. Is that correct?---Yes.

All right. In relation to that, can I take you to two documents, if I may, first of all volume 7, page 280, and if you go to page 2 of that document?---Yes.

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These are minutes of a meeting, which I'm not suggesting for a minute you attended, but it's of the QHEST meeting minutes of 10 December 2008, present at which are Mr Shea and Mr Kalimnios. If you turn to page 2, you'll see there, there's an options paper, "It really comes down to three broad options, stick it out," that is, stick it out with the present contract and contractor, "to keep all the work done, use Workbrain and SAP and go to another vendor," that is, a vendor other than IBM, "3: go back to the market for new products," that is, abandon SAP, Workbrain and IBM and start again, in effect. "The two objectives are to get out of LATTICE and stop burning money." Now, was it brought to your attention that this project was increasing in price? ---The overall payroll project?

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Yes?---Yes, generally, yes.

All right. Thank you.

Anything other than option 1 is going to cost money this financial year. With regard to time frames, option 1 is the quickest option. Michael and Kalimnios and Michael Reid met with Mal Grierson over previous weeks and have been told to stay with IBM and CorpTech.

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That accurately reflects what you had been told by Mr Grierson?---That's correct.

Did Mr Grierson ever explain to you, and I know your recollection is vague, but did he explain to you why you had to stick with CorpTech and IBM?---I don't recall the specifics, there certainly was discussion that this was their contractual arrangements in place and I don't think he was at a point in time or a stage of changing those arrangements, but I can't recall the specifics.

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COMMISSIONER: Sorry, you're finished? That point of view is obviously defensible at the time when the government contracted with IBM to provide the whole of government shared solutions. When, in the course of 2009, that changed and the contract was re-scoped, as it's called, so IBM was just to produce the payroll for Queensland Health, that might have been an occasion, might it not, to revisit the question of IBM's involvement, or the relationship between Queensland Health and IBM, or the terms of the contract by which IBM has produced, to that date, interim only payroll replacement? Were these things addressed ever?---I can't recall they were addressed in that detail, Commissioner, at the point in time of the contractual changes.

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Did anyone give any thought to any of those issues that I've just described?---I would have thought it would have been done by Michael and others at that time, but I can't recall anything arising from that obviously.

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MR FLANAGAN: We will come to 12 September 2009 - - -? 1
---I'm sure you will.

- - - cabinet decision, but you'll see from the cabinet decision it's simply to keep IBM to its existing contract, that is, the existing contract in relation to the interim solution. The document itself does not suggest any contemplation by any parties of a different way forward? ---And that accords with my memory of the broad thrust of the second meeting with Mr Grierson. 10

Did he explain to you that this was a whole of government solution, that is, 5 December 2007 contract was not just in relation to the LATTICE replacement but was in relation to the roll-out of the Shared Services Initiative which had been brought about in or about 2002 for the whole of government?---I was aware of that.

Did you have any knowledge of the Department of Education Training and the Arts seeking also to withdraw from the arrangement as between IBM and CorpTech?---From recollection, yes, I was aware because I think that was discussed at one of the executive meetings. 20

Did they have a similar view to you, that they wanted to go it alone, in effect?---I can't recall what the specifics of the review was.

Mr Commissioner asked you just before Whether you have a recollection of elevating this to the ministerial level, Mr Grierson suggested, "He won't let us go alone because it's a whole of government solution." Do you have a specific recollection of speaking to Mr Lucas, your minister at the time, in relation to getting around Mr Grierson's view?---I wouldn't have expressed it that way, I think I would have had a specific discussion with Mr Lucas. From recollection, I had a specific discussion with Mr Lucas around the concerns that Michael was expressing to me about the delays which were being incurred by the slowness of the IBM/CorpTech interaction with Queensland Health. From recollection, I spoke to Mr Lucas around the IBM component to that, and from recollection he indicated to me that he would take that matter up with Minister Schwartern. I don't recall the outcome of that. 30 40

How often would you see Mr Lucas as director-general?---I would see him every few days but in a way that we would talk, but, you know, every few days.

All right. Can you just recount as best you can the effect of what you said to him and what he said to you?---The effect of the discussion? 50

Yes?---I think briefly I indicated to him he was aware that we were going to a new payroll, obviously, briefly indicated to

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him that there had been delays in it, indicated there was real concerns expressed in the email to Michael around the IBM contractual arrangements, and he indicated to me that he would take that up and address that with Mr Schwartern to try and rectify that matter.

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If we read on at page 281 of volume 7, you'll see there that it also says, "Adrian Shea stated that we cannot make the call to opt out, that can only be made by Mal Grierson and Gerard Bradley." Did you understand that the under-treasurer was also involved in such a decision?
---Yes.

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All right. "If we were to pull out we would want our money back"?---I couldn't imagine Mr Bradley agreeing to that.

All right. And it's indicated down there at the bottom of 281, just above the words "Michael Kalimnios", that, "The government have no will to abandon IBM." Do you see that?
---Yes.

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Was that conveyed to you by Mr Grierson on the occasion of you meeting with him?---That was the general impression I had from Mr Grierson.

Thank you. Is that a convenient time?

COMMISSIONER: Yes, it is, thank you. We'll adjourn until 2.30. Mr Reid, I'm sorry I have to ask you to take up part of the adjournment time by reading that email?---Thank you very much.

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THE COMMISSION ADJOURNED AT 1.02 PM UNTIL 2.32 PM

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THE COMMISSION RESUMED AT 2.32 PM

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COMMISSIONER: Mr Flanagan?

MR FLANAGAN: Mr Commissioner.

Over lunch, Mr Reid, I asked you to conduct an exercise in relation to the Queensland Health brief for noting dated 6 July 2009?---Correct.

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In relation to that document by a highlighter you've identified those passages or that information that was not specifically brought to your attention. Is that correct? ---That's correct.

Mr Commissioner, I only have two copies of the document, but may I tender those two copies and ask that copies be made to be distributed to the other parties.

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COMMISSIONER: Yes. I'll make the marked copy of the memo exhibit 91.

ADMITTED AND MARKED: "EXHIBIT 91"

MR FLANAGAN: Generally, Mr Reid, in marking up that document what you've identified is the details that weren't brought to your attention. Is that correct?---That's correct.

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But you agree that the general concerns that you've identified in paragraph 34(a) to (h) had been brought to your attention by your deputy director?---During the period. Yes.

Thank you. May I then take you to volume 8, page 1, please? Again, this is QHEST minutes of meeting dated 7 January 2009 and for the entry 23/12/2008 Tony Price and Michael Kalimnios met with the director-general for 15 minutes on 24/12/2008. According to your statement you don't specifically recall such a meeting?---No.

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And you've checked your diary and it doesn't have an entry for such a meeting?---I think it did have. I'm just trying to recall. My recollection is it did have an entry. I don't recall the content of the meeting, but I think checking my diary there was an entry there.

They say they presented the status update and this was discussed:

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Extensions to QHIC project and cost into the new year were highlighted. Michael Reid agreed to talk to Mal Grierson and then have discussions with IBM

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to push for a finish to the project by the end of the financial year. 1

Is that correct?---I don't know the detail, but I seem to recall there was a discussion about the monetary consequences of delays. I don't recall agreeing to meet with Mr Grierson to discuss it.

Then if you go over to page 3, which is the meeting agenda, director-general, 8 January 2009, "Status of IBM arrangements." In your statement you say that this looks like an agenda for a meeting with Mr Grierson?---No. I think this is an agenda for Mr Grierson not for a meeting with Mr Grierson. If you note down on the to do list in the first dot point, "To contact Mick Reid." 10

All right, thank you. You've told us that you did have contact with Mr Grierson in relation to these issues at or about this time. Is that correct?---This time being - - - January 2009?---Yes, but I don't recall the actual time itself. 20

But it's the case, is it not, that at least your deputy director-general and others, including Mr Price and Mr Shea, were seeking to get you involved at a high level to deal with the problem that they had identified for you. Yes?---On only two occasions did they come to me and seek that - or it was suggested - I suggested, I think, that I should meet with Mal with Michael. It wasn't a regular occurrence. 30

But they had certainly identified the problems were sufficiently serious that they elevated it to you and you elevated it, if you like - - - ?---That's correct.

- - - on your evidence to a meeting with Mr Grierson. Yes? ---That's correct.

I've asked you before, as a result of this meeting you say that Mr Grierson met with IBM. Yes?---That's my understanding, but I don't have a detailed knowledge of that. 40

Just explain to us again why you didn't attend any meetings with IBM with Mr Grierson?---My recollection was that Mr Grierson indicated that he would set up a meeting with IBM and discuss the issues.

Did you ever find out from Mr Grierson what had been discussed and what had been determined?---I can't recall. 50

COMMISSIONER: Did you ask to attend or did you leave that to Grierson?---No, From recollection, commissioner, I left that to Mr Grierson to set up a meeting, although I think

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we went in there with the possibility that I would go with Mr Grierson and attend, but I didn't. 1

Did you tell Mr Grierson that?---I can't recall the exact exchange of words, but I know we went in with an intention, which had been stated, that I would go to a meeting with Mr Grierson and IBM, but I think it was Mr Grierson who set up a meeting and met with IBM.

Thank you. 10

MR FLANAGAN: Given though that you had met with Mr Grierson and it had been decided that he would meet with IBM, although it seems that you didn't know that he met with them regularly, did you ever find out from him what way forward had been determined?---I can't recall having a direct discussion with him, but I presume that would have come back to Mr Kalimnios and the various committee structures he had with CorpTech. 20

But doing as best as you can, you don't have any recollection of you personally meeting with IBM representatives to try to resolve the difficulties that were being encountered by Queensland Health?---I did not.

Thank you. May I take you to volume 11, page 295.

COMMISSIONER: Is that 275?

MR FLANAGAN: 295. 30

COMMISSIONER: 295? Thank you.

MR FLANAGAN: This is a briefing note to the deputy premier, minister for health, dated 26 October 2009. You deal with this particular document, Mr Reid, in paragraph 64 of your statement. If you'd like to look at paragraph 64?---Yes.

In the ordinary course of Queensland Health administration would a briefing note being sent from the director of QHEST to the deputy premier go through you?---Yes. 40

So even though you don't have a specific recollection of reading this, it would be the case, would it not, that in all likelihood you would have read it at or about the date of 26 October 2009?---Probably not.

Probably not? Why is that?---I haven't put any - I always put commentary on briefs that came to me. This obviously has been a brief that's not yet been prepared to come to me and I haven't been a signatory to it and that would not have occurred. 50

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In any event, it informs as at 26 October 2009 - and this is after the memo had come to you about terminating IBM's services if they didn't have a way forward after 30 November 2008 for the purposes of going live. We've discussed that already?---Right back in 2008?

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Yes?---Yes.

Yes. Was it brought to your attention that a number of go live dates had been missed by IBM?---In general terms, yes, that had been occurring.

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This also reports that there were 62 severity 2 priority 1 defects that were open. Did you ever have a discussion with your deputy director in relation to the number of defects that were being identified in the project?---No, I don't recall.

Did you ever discuss defects with him?---I think we discussed at some stage the notion of some of the changes of severity, but we never had an ongoing discussion around defects. My only recollection of it was, as I've stated before, that during this period he generally brought to my attention that the number of defects were diminishing and he felt more confident around the go live initially prior to Christmas and then subsequent to that to March.

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Did he speak to you then, as you've indicated, about the reclassification of defects?---Only in the very general terms.

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Can you tell us what was said in that regard?---I think from recollection he made general comments around some of the severity criteria were changing. It wasn't a long conversation we had. It wasn't brief or a long communication. It would have been in passing.

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All right. At or about this time, that is, 29 October 2009, you knew that the only project that IBM were being held to in terms of the 5 December 2007 contract was the replacement of LATTICE for Queensland Health. Yes?
---That's correct.

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So this is the only project that's still on-foot in relation to that contract. Yes?---That's my understanding, yes. I didn't have a detailed knowledge of the change of the contract, but I understand generally the impact of it.

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Without taking you to it, you were aware, were you not, given that your department was involved, that the cabinet budgetary review committee on 21 September 2009 specifically determined that IBM would be kept on for the purpose of rolling out this particular project?---Correct.

When you knew that it was only going to be the Queensland Health project that IBM were doing, did you pause to think, "I'll take a more active role or participation in this"?
---I still felt it was going as planned on date with the current arrangements in place, so I didn't seek a desire to intervene or to change the arrangements. As I recall, it wasn't an element of the CBRC - sorry, the cabinet budget review committee conversation, and I think it was a given. From recollection, I haven't seen it since that time but from recollection that was a cabinet decision which would continue the current arrangements with CorpTech and IBM, but change the scope.

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You were asked some questions by Mr Commissioner before lunch, did you personally give consideration in consultation with your deputy director and others to seek a change to the existing situation given that this was the only contract going ahead?---Not from recollection, and nor from recollection do I recall him raising that with me.

As at - - -

COMMISSIONER: Sorry to interrupt. The decision, we know, was made in September 09, but it would have been some weeks or months in the making, I take it. Did you have any information before the actual decision was made, the things leading up to that point?---Not from recollection, Commissioner.

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MR FLANAGAN: Actually, we will go to the document because I'll just test your memory, if I may, Mr Reid. May I take you to volume 10, page 310? This is the cabinet budget review committee decision of 21 December 2009. You'll see under the implementation responsibilities are still with the Department of Public Works. Yes?---Correct.

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And the departmental records include the Department of Health. If you could turn, if you would - - -

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COMMISSIONER: What does that mean, "departmental record"? 1
What's the import of that? Are they just given to your
department for information?---Well, I'm not too sure the
intent, but this was not a CBRC submission made by Health,
this was a CBRC decision made by Public Works.

I understand that?---So we would have been asked to comment
on that, presumably.

I see. 10

MR FLANAGAN: Can I ask you, first of all, to turn to
page 321, and you'll see there that for the purpose of
consultation Mr Kalimnios and Mr Shea are identified there
as the Queensland Health persons?---Correct.

Do you recall any conversations you had with either of
those persons in relation to this cabinet decision?---No.

Do you recall that prior to this cabinet decision in or 20
around June/July 2009 discussion papers were issued to all
relevant departments?---That would be a normal event.
Those discussion papers would not necessarily have come to
me, in the context of the ownership of this issue they may
well have gone directly to Michael.

And responses would have been called for in relation to
those discussion papers?---That's the normal process.

And in the ordinary course of events, Queensland Health 30
would have responded to the discussion paper?---Yes.

Thank you. Mr Commissioner, I should point out that those
discussion papers and the responses have been sought. Did
you or do you have any independent recollection of reading
the discussion paper and reading Queensland Health's
response to it?---No.

Do you have any recollection of either your deputy director
or Mr Shea speaking to you about the change in tact in 40
terms of re-scoping IBM's work under the Shared Services
Initiative?---No.

None at all?---No.

Did you ever speak with Mr Grierson about this?---No.

You had no role in it whatsoever?---From recollection, no.

You appreciated that under the Shared Services Solution, 50
pursuant to the contract of 5 December 2007, that the
roll-out of the solution in relation to Queensland Health
was not simply an interim replacement for the LATTICE
system. Yes?---Yes.

You knew that you were going to get the full suite, if you like, of the Shared Services Initiative roll-out for Queensland Health?---That was my understanding. 1

Yes, which would have included a number of things well beyond HR payroll. Yes?---That was my understanding.

All right. This is a decision though that would have effected that roll-out in relation to your particular department, yes. 10

Correct?---Yes.

But you have no knowledge of that occurring?---I do not.

Is that somewhat surprising?---The CBRC was slightly different than cabinet attendances, so I used to normally be the person who would front a cabinet decision-making. Sometimes people with specialist skills, such as in capital works or others, would front a cabinet decision. CBRC less so, it would be more done at a deputy level with the finance people involved. 20

Can I take you to paragraph 36 of your statement, please? If one reads the last five lines of paragraph 36:

I understood there to be a general sense of agreement between Mr Grierson and I that the contractual arrangements with IBM and CorpTech needed to be addressed and improved. 30

That was an opinion you held as at January 2009 when you met with Mr Grierson?---That was a view which was given to me which I believed to be true back in September 2008.

All right. But you knew it for a fact, given what you'd been told by your staff, that this was something that required improving?---That's what they informed me.

As part of that information that they informed you of, did you appreciate that there were difficulties as between IBM and Queensland Health at least in identifying the scope for the interim solution?---I wasn't aware of the detail. 40

I don't care about detail. Were you aware that there was difficulties in identifying the scope as between IBM and Queensland Health?---I wasn't aware of that.

What did you think was increasing the price of the project? ---Well, I didn't - I assumed it was issues around go live times or whatever. I mean, I knew there was - sorry, I should reflect on that - I knew there were issues around - concerns around what was being delivered to Queensland Health via CorpTech. So if you take that to be the scope, then I wasn't aware of the detail of what constituted the scope. 50

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All right. Did you ever discuss with your deputy director and Mr Shea ways in which that could be alleviated or addressed?--Mr Shea, I had very few conversations with in the period of time. I don't recall having that conversation in detail with Mr Kalimnios, but I may have and he may have raised it with me.

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Would you agree though that at least by January 2009 you had identified that you needed to intervene in this process somehow. Yes?---I knew when Michael asked me to help him meet with Mal Grierson there were concerns, that was an appropriate course of action. I think it would be wrong to say that I knew I must intervene in a project because it was - I had already intervened to the extent of having discussions with Mr Grierson during that 2008 period, and had already been briefed they were trying to address those issues.

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But given at this stage, its' only Queensland Health who is going to get this particular solution, this interim payroll solution from IBM and that you're the customer, why leave it to Mr Grierson to deal with IBM?---Well, we also left it to Mr Kalimnios to deal with IBM. He had numerous meetings with IBM people as well so essentially the contractual arrangements were as they were.

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But they had actually sought your intervention as director-general, hadn't they? They had come to you to say - - -?---To seek my intervention is the wrong term. We agreed at the meeting which I think I have stated. They didn't come to me seeking that I meet with Mr Grierson, they came to me with the proposition which was non-deliverable. I'm going back to the very first memo in terms of changing the arrangements. I suggested we meet with Mr Grierson to try and have a discussion. They at no stage came to me seeking my intervention with Mr Grierson. On both occasions, they were suggestions that arose out of the meeting.

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Can I suggest however they came to you for the very purpose of expressing the concerns they needed to express to you because the project was not going the way they wanted the project to go. Yes?---That's correct.

And they informed you of those difficulties. Yes?---That's correct.

As part of identifying those difficulties, you, whether on your own advice or on their advice, took the next step and went and saw Mr Grierson. Yes?---That's correct.

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You did so in the company of your deputy director. Yes?---From recollection, yes.

Yes. You did so for the purposes of trying to put the project back on foot. Yes?---That's correct.

Yes. Or at least to approve the project. Yes?---Yes.

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Both in terms of cost over run. Yes?---Both in terms of the delays which hence have cost over runs, yes.

And the delay?---And the delay, yes.

Good. All right. Having done that and having met with Mr Grierson, what steps did you take thereafter knowing that he was going to meet with IBM?---Well, I was - I still met with Mr Kalimnios during the period of 2009 and as I have stated before, it was my understanding and indeed Michael's understanding that notwithstanding the fact we couldn't get out of the contractual arrangements or that Mr Grierson or CorpTech was unwilling to change those, that the project was improving and it appeared that we had a product ready to deliver.

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Did you ever - - -?---Albeit at a cost.

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In the course of 2009, was it brought to your attention that there continued to be change requests, there continued to be disputes as between Queensland Health and IBM as to the scope of the project?---Only in a general term, not in detail but in the context again that these were being resolved.

All right. In the course of 2009, you would appreciate it, the go live was yet again delayed a number of times. Yes? ---Correct, yes.

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Did you ever think to yourself, "What I need to do here either in company with Mr Grierson or off my own back is to intervene to ensure that both parties" - that is IBM and Queensland Health and probably CorpTech understand and document the true scoping of this project because they are disagreeing right now?---I think you're according me a greater involvement. I wouldn't have had time in the day to do that and do my day job, in a sense. My day job is spelt out in the first few paragraphs, very much a job of trying to be involved in the Health system in terms of elective surgery, emergency department, appointment of CEO, those types of things. I depended upon my deputies to do those types of things and they were paid well in order to do it. Whenever they came and sought my help in doing something, I provided that to them but I think on very rare occasions would I have intervened to any of my district CEOs or deputies and say, "I'm coming in there to do something because you're not doing it." I would be more inclined to tell them to go away and sort it out.

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Are we to understand then that over the course of these years, that is from the time you started until 23 June 2008, and your first briefing with your deputy director and the subsequent briefing notes and your meetings with him thereafter and your two meetings with Mr Grierson, that the actual only action that you took to address their concerns, that is your deputy director and Mr Shea, their concerns, whilst to have two meetings with Mr Grierson where it was decided ultimately he would meet with IBM?---No, I think that's an unfair statement. I met with Mr - - -

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Correct me on what is not fair then?---I think I met with Mr Kalimnios on a regular occasion whenever he brought things to my attention, we tried to work out a resolution for him to address those issues which is what he was seeking. He did seek meeting that we agreed there would be meetings with Mr Grierson and that was undertaken, and I did brief the minister around the issues with IBM at that point in time and that would have been the extent of where I was engaged.

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I think I failed to ask you last time; can you recall the date when you briefed the minister, approximately?--No, I didn't recall. I think the Commissioner asked me and I couldn't recall. I thought it was about mid-year, yes.

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THE COMMISSIONER: Yes. Mid-09.

MR FLANAGAN: Thank you. May I then take you to paragraph 49 of your statement. This is where you state that based on all the information that was given to you, you formed the view as director-general of Health that the decision to go live on 14 March 2010 was erroneous. Yes?--I formed the view - the consequences of it were significant failure of public policy.

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Can I ask you this: we appreciate from other diaries that have been produced to us that you attended a conference in the United Kingdom between around approximately 19 to 26 March 2010. Is that correct?---That's correct.

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All right. And you produced certain documentation to the inquiry in relation to that event. Can you recall your deputy director ringing you whilst you were at the London - at the conference to report in relation to the payroll first run?--Yes. My recollection is I received a text message from Michael Walsh who was acting as director general in the five days that I was away because that took place over a weekend, those dates, and that he had indicated that the payroll had run successfully. From recollection, I think I phoned him just to pass on my congratulations to everyone and I arrived - all of those events took place prior to the consequences that the payroll had been - I was back in the office at that time.

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Yes. When was the first time that it was brought to your attention that something was going wrong with the payroll? ---I think from recollection when I would have landed sometime on the weekend to get home and I think I had a knowledge probably from my head of public affairs that when I went into work on the Monday morning and from recollection, I think Adrian Shea was in the office, my comms person, as I walked in in the morning and from recollection, there was an indication there that there were a couple of small problems but he thought that they were resolvable.

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When did it come to your attention, when it first had come to your attention, that these weren't small problems, that you were actually facing a considerable difficulty? ---Fairly rapidly over a period of a week. I can remember it was hard to work out what were ongoing issues which may have also been similar with LATTICE but I had several calls from the unions and from district CEOs and from other people that - a number of people hadn't got paid or had got

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underpaid or they hadn't got their rosters right or none of their backpay had been put in place. 1

All right. Now, can you just tell the commission in your own words what you did?---What I did?

Yes?---Well, I think I documented a series of steps that I did which are on section 44. Obviously there was briefing with the minister which I immediately took down to the minister's office. I tried - we had long meetings with Michael Kalimnios and Mr Shea. Within about three days, I think I took one of my deputies offline and put in - off his regular duties and put in dealing with what are the issues that came from that. I met with all the relevant unions probably over a period of two weeks who were affected. I met with the district CEOs, we had a special meeting from recollection, to talk about what are the issues being - that they are encountering, this is more me and others coming up to scratch as to what the issues were. Progressively then over a period of weeks, I visited payroll offices so this would be within two to three weeks to see what the problems were that were encountering, particularly the Workbrain, the very slowness of the situation and the difficulties of rosters in particular and I think within a matter of weeks - I can't recall the actual time, but with the minister's involvement, we established a payroll stabilization program and that was - then subsequently took over the arrangements for trying to stabilize the problems which arose.

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COMMISSIONER: What did it do, that program? Who was involved in it, how many people and what did they do?
---There were about 10 people on the committee. So there was a full-time group of people that were engaged. It was chaired by - sorry, it was managed by Michael Walsh, who's a deputy director-general. It had CorpTech representation on it as well and it really started to try and identify the problems, to work out how serious they were, to work out what needed to be done to put them in place. They oversights the doubling of the payroll staff. I think it increased by a factor of two and a half over a period of - a very short period of time as people had to deal in a workaroud fashion with the promise of it being rectified. So, essentially, it took a program management approach, commissioner, to try and identify the issues and rectify them. I chaired that committee that oversights that project.

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Thank you.

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MR FLANAGAN: In relation to paragraph 49 where you say that the go live decision was clearly erroneous and had been made without sufficient rigour, what were your primary sources of information to come to that conclusion?---A number. So there was clearly the evidence I'd accrued between the period of March and the period of June where I made the decision and that was from all those people I've spoken about, numerous meetings with unions, numerous meetings with the medical profession and others, meetings with the district CEO's around the problem, then having to put in place payroll officers within the hospital situation. So there was a range of information which came to me that way. There was the early meetings of the payroll stabilisation project which started to identify a range of issues which had taken place. There was the auditor-general's report which came out, which I'd seen an earlier copy of before for commentary in a normal fashion prior to it coming out which identified what went wrong.

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Having informed yourself of that, you decided to take some executive action in relation to your deputy director's employment, Mr Shea's employment and you dealt both with Ms - - - ?---Janette Jones.

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- - - Jones and Mr Price. Is that correct?---Correct. In different ways.

In different ways. You gave Mr Kalimnios a month's notice? ---Mr Kalimnios and Mr Shea, they were SES people, so I was able to terminate their contracts without a reason being stated, a normal process that take place for SES. Mr Price, from recollection, we moved to another position and Janette Jones was more a subsequent issue which took place once the payroll stabilisation project was going, which started to oversight the (indistinct) and they felt -

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I was advised by the person running that that it would be appropriate to move her from her position. 1

Had you been able to terminate Mr Price's employment, you would have done so?---I would need to reflect upon that, but as a general statement, that was an easier way of doing things than other ways.

All right. Having made those decisions, it would seem that one of your other deputy directors who had been acting in your position while you were in the United Kingdom, Mr Walsh, was actually appointed in consultation with Mr Lucas to take control, if you like, of the payroll stabilisation program. Is that correct?---That's correct. 10

So even though you chaired that program and attended the meeting, or some of the meetings of that program, it was Mr Walsh who was in control of it?---That's correct, reporting to me. 20

Pardon?---Reporting to me.

Reporting to you?---Yes.

His appointment was a direct consequence of a decision made by Mr Lucas. Is that correct?---It was a discussion he and I had about who we would get in, it was his suggestion. He had worked with me before and I agreed with that. Mr Walsh had worked with me before as well. 30

What was his background?---He's a public servant. He was running the capital works program in Queensland Health. When I first came into office, we ran that office as a separate entity. It subsequently came back in under Queensland Health, but he had that involvement in capital works.

Thank you. Would you look at this document please. Associate, I'll be tendering a number of documents, if I may. 40

Could you look at that document, please?---Yes.

Was it your practice after the go live date to send memorandums to staff of Queensland Health to keep them informed of what was happening?---We had a general range of ways of information. One of the issues that came from staff was they wanted to know what had happened, what had gone wrong and what we were doing to rectify it and so there was both briefings face to face which I did in many places. There were memos that went out and there was a web site that was established just for that - - - 50

Thank you. I tender that document.

COMMISSIONER: Yes. The memorandum for the director-general to all staff, 18 May 2010, will be exhibit 92.

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ADMITTED AND MARKED: "EXHIBIT 92"

MR FLANAGAN: Would you look at this document please. This is a document entitled QH Payroll System Problems Identified After Go Live. It would seem, Mr Reid, that in paragraph 56 of your statement that you identify a number of matters that constituted problems, errors, that were brought to your attention after go live, but not prior to go live. Is that correct?---That's correct.

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The document I'm showing you here, the QH payroll system problems identified after go live, do you know who the author of that document is?---My understanding it was done by someone within the payroll stabilisation project. I'm not too sure who the actual author was.

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All right. Who provided this document to you?---This was provided to me in preparation of a statement by Michael Walsh who headed that project.

That's a document you provided to the inquiry yesterday. Is that correct?---I'm unaware that that's the case.

All right, thank you. In any event, a number of documents had been provided by you - - - ?---Yes.

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- - - today in relation to minutes of meetings of the payroll stabilisation program?---That's correct.

What's also called Dashboard Reports. Is that correct?---Correct.

They were reports done by the payroll stabilisation program?---That's correct. And the dashboard report, and I'm not too sure if you're tabling it, but that was another way of describing the problems that arose and how they were identified.

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The document states:

The following are a summary of some of the fixes identified following go live of the QH payroll system in March 2010 that were required to be addressed as part of the payroll stabilisation program.

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They deal, it would seem, would it not, with various awards and their implementations?---Yes. So this was a document - so there are two documents that should be viewed and consulted with the other documents you have, but this is a document which was mainly done which was sent out to payroll supervisors. So this was the staff that were

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actually inputting the rosters and those types of things around the state. So this was identifying to them the issues for payroll staff, what they were seeing in their payroll office and they wanted to know what else was happening elsewhere. So my understanding of this was this formed the basis of a document that went out to payroll supervisors and then there's another set of documents which really relates to the number of staff as distinct from payroll officers who were affected in terms of numbers who got no pay, some pay or their rosters were incorrect, et cetera.

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Can you tell us director-general who reported to you in relation to these matters? Was it Mr Walsh?---Yes.

What did he tell you about these matters identified in this document?---These were issues raised which had been identified which required to be fixed. There was never any discussion of attribution of whose fault they were. Many of these were internal Health or they might have been elsewhere through the operation of Workbrain or they might have been in whatever fashion. This wasn't a document to try and attribute who's responsible for them, but it was really a document to try and identify the problems that had occurred and how they would be fixed.

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All right. Can you answer these two questions: first of all, was there any investigation when these identified problems in this document had been identified prior to go live?---My understanding is no, but that's a question you're probably best direct to Mr Walsh.

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Yes, thank you. And the second question is this: was there any investigation done, to your knowledge, to determine whether these problems that had been identified in this document fell within the scope of works that IBM were to carry out in relation to Workbrain?---No, to emphasise the statement I just made, they were not designed to do that, they were designed to see how important were these problems, how could they be rectified and for all the payroll officers, staff, who were under enormous strain in trying to deal with what they thought was pretty clumsy and slow and ineffectual system, how they could get an understanding of what things have been recognised as being a problem. They had the capacity, Mr Flanagan, of putting things up on a website and so there's multiple replication problems as they're occurring as they are put up by different payroll officers around the state. So this is more a statement saying, "Here is a summation of everything we're picking up and we're dealing with."

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I tender that document, Mr Commissioner.

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COMMISSIONER: Yes, the memorandum prepared by the payroll stabilisation program entitled "QH Payroll System Problems Identified After Go Live" is exhibit 93.

ADMITTED AND MARKED: "EXHIBIT 93"

MR FLANAGAN: Mr Reid, did you have any knowledge of a decision having been made in relation to rosters that if rosters were not entered into Workbrain on time that the person would not be paid as opposed to being paid on the previous roster?---I became aware of that after the go live date.

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Does the document, exhibit 93, deal with anything to do with that problem?---I don't think so.

All right. May I then take you - - -?---16 and 17 do deal with rosters, but I don't think that dealt with what one might call the "rigidity of the new system vis-à-vis LATTICE", which I take it you're referring to.

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Yes, it is, thank you. Was a presentation done on or about 23 May 2010 for the deputy premier?---My understanding, yes.

All right. Would you look at this document, please? You were present at this presentation?---From memory, yes, the deputy premier visited where we had our committee structure and he came to one of our committee meetings.

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Thank you. Do you recall that Mr Walsh was also present? ---Yes, but from memory, he gave this brief.

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All right. Thank you. If you'd turn to the first page of this document, you'll see there that it's identified as "strategic issues, current strategy and enhancements". Yes?---Yes. 1

And that identified issues such as people getting no pay, people getting low pay, "Rosters have many inaccuracies, rosters not published soon enough in pay cycles." Again, in relation to this document in this presentation there was no part of this process that sought to investigate whether particular aspects fell within the scope of works of the project being undertaken by IBM?---Correct. 10

Nor did it involve a investigation as to who was to blame for what went wrong?---No.

All right. Thank you. I tender that document, Mr Commissioner.

COMMISSIONER: Yes, the deputy premier's briefing, 22 May 2010, is exhibit 94. 20

ADMITTED AND MARKED: "EXHIBIT 94"

MR FLANAGAN: May I ask you to look at these two minutes of meetings then, please? The first is dated, 1 June 2010, the second is 7 June 2010. Mr Reid, does that identify that you, as you've already said, were chair of the payroll stabilisation program?---Correct. 30

And it also identifies who sat on that program?---Correct.

It further records that there were observers in relation to the program. Yes?---Correct.

And those observers included persons from CorpTech? ---Correct.

Including Mr Hood?---Yes. 40

And there is also a reference to a consultancy firm, is there not?---Yes.

Which consultancy firm is that?---Well, I think there's two references there, particularly KMPG who were doing some work early as observers, or they were guests at that meeting.

All right. And who organised KPMG to come and do a review?---From recollection, I think it was a consultation with the director-general and premiers. 50

All right. Thank you. And there's also a reference to another consultancy firm, is there not?---Phillips Group.

And what were their role?---I can't recall.

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Thank you?---I should mention, in the attendees, which you may have missed, there's also public works as an attendee, as in the committee. 1

Now, Mr Commissioner I should add that those two minutes of meetings are in June, 1 June, 7, June, there are of course references in those documents to earlier meetings commencing in or about April or May. We've requested all minutes of the payroll stabilisation program, and once they're obtained we'll tender them as part of this exhibit, but I tender those minutes. 10

COMMISSIONER: Very well. Exhibit 95 will be a bundle of notes of meeting of the payroll steering committee of the payroll stabilisation project.

ADMITTED AND MARKED: "EXHIBIT 95"

MR FLANAGAN: For those type of decisions made that are recorded in those minutes, you've already referred to dash forward reports. What were they?---Dash forward reports were really a mechanism of identifying issues, having them become before the payroll committee to see how they're being dealt with on a day by day or a week by week basis. 20

All right. In that regard, Mr Reid, you've provided the inquiry with the dash forward reports for the period 17 May 2010 through to 21 June 2010?---That's correct.

I tender those dash forward reports, please. 30

COMMISSIONER: The bundle of dash forward reports will be exhibit 96.

ADMITTED AND MARKED: "EXHIBIT 96"

MR FLANAGAN: May I then take you to annexure MR 2 to your statement, Mr Reid? You deal with this in paragraph 56 of your statement, but I don't need to take you to it. It's a letter that you've co-signed with Natalie McDonald who was then the acting director-general of Public Works. Is that correct?---That's correct. 40

In paragraph 2, you state:

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. 50

How did you come to inform yourself so as to co-author such a paragraph?---That was advice I received from - it would have either been the early meetings of the payroll stabilisation committee and/or Terry Mand.

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Did the payroll stabilisation committee have access to technical advice in relation to the operation of Workbrain after the go live?---I don't recall what they did have access to.

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All right. Thank you?---But, of course, this would have also involved Michael Kalimnios who was still active in this area at this stage.

Because the letter is dated 23 April 2010?---That's correct.

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But it would seem that this letter is sent within a month of the actual first pay run, correct - - -?---Correct.

- - - because the first pay run was on 21 March 2010. Within that month, can you tell the inquiry what steps had been taken to gather sufficient information that you could be commenting to IBM's or the operation of Workbrain as early as 23 April 2010?---I think there was a very complex and detailed group of people who tried to work out what the issues were, both within Michael's area, within the payroll offices and other people involved, so I think it would have been a collective view at that stage.

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All right. You state in the second-last paragraph:

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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 performance issues.

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What was the source of your information for that?---I think probably from the first para would more have come from Natalie MacDonald, I would have thought.

All right, thank you. Did you have any particular knowledge or did you receive any information as to IBM arranging to have Infor come to their assistance in relation to Workbrain?---No.

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Prior to the go live date - you knew it was going to go live, didn't you?---Correct.

Yes. Did you make any inquiries yourself as to possible problems?---Well, yes. I was advised by Michael on the basis of advice I've already given you from the period of time through 09 that they thought the issues that had been identified were rectified - - -

But did you - - - ?---- - - and to state again, the board minutes have indicated that. Michael's comments to me have indicated that and I have no other view on which to make any other judgment.

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In relation to the payroll stabilisation program, can you tell us what was the impetus and reasoning behind the establishment of such a body?---I felt, again in consultation with the minister, who viewed that we could not leave this to people who had other jobs to do. We had to create a body to respond to it. There were very distressed levels of staff who were out there who had regular periods where they weren't being paid or could not understand their payslip or could not understand where their rostering arrangements have gone. There were others, such as casuals and coterminous employees, those who were employed on more than one site, who were really suffering and had to have cash advances and I think the level of disquiet amongst staff and the level of disquiet amongst payroll staff who were very stressed by the working environment they were now working in and the lack of functionality of the equipment that they thought they were working with meant that it needed a specific route to be established to try and identify and manage all the issues. It took probably some weeks even to identify what the issues were as we progressively went through it and so some of the issues, particularly around the functionality of the

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screens and the availability of screens and the ability to input rosters really came to play and the other thing in parallel with this was the way in which the restructuring of the Shared Services had played out at the same time, so there had become a separation of people who were involved in payroll from the hospitals they used to work with, so payroll staff - a woman employed in a particular payroll staff in Mount Isa previously might well have known what the rostering arrangements of the nurse in Mount Isa were, but when it was shifted into Shared Services arrangement to Brisbane North or somewhere, that became far more problematical. 10

One part of the payroll stabilisation program was to, in effect, decentralise what had been centralised?---That's correct.

And emphasised, once again, branch or district payroll solutions?---Absolutely correct.

Finally, we won't go to the minutes, but the minutes of the payroll stabilisation program identified that at one stage in May 2007 or in June 2007 there were approximately 842 people employed in trying to keep the system running. Yes? ---Correct. Which increased. 20

COMMISSIONER: What was the number, Mr Flanagan?

MR FLANAGAN: 842. 30

In relation to that, the minutes also refer to additional staff being found of 30 in number. Can you tell the inquiry how many staff ultimately were required to keep these pay runs going after the interim payroll solution had been rolled out?---I don't recall the absolute number, but I think it was a factor of around two and a half on the original. I think it may have been around the 1000 plus mark eventually who had been in situ for a long period since then. 40

Can you tell us were they still in situ when you left in 2011 as director-general?---Yes.

Have you any idea of the cost that has been borne by the Queensland government as a result of requiring two and a half times the ordinary staff that were there?---I don't have the details with me, but it would be substantive.

As director-general at the time, did you have an idea of the cost?---Yes. But cost was of secondary importance at that stage. 50

Quite. Can you give us an idea of the cost of those additional services?---I'm sorry. I don't have recollection of what the costs were, but - - -

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Quite. Mr Reid, can you tell us why were they engaged and what were they actually doing? Why were they needed, all these people?---My understanding is that the times taken to input rosters, to rectify rosters, to re-input rosters was very tedious and so the productivity per staff fell dramatically. The level of backlog of the LATTICE when we moved to the new system was not addressed for some time, so there were 27,000 adjustments, from recollection, to be made from the shift from LATTICE to the new system. They were not done for a period of weeks because we were focusing more on the new pay. There were progressive backlogs on the new pay system which needed to be addressed and in my understanding there was clunkiness between SAP and Workbrain so that when there were functional changes in SAP, that really slowed down the Workbrain arrangement and made it very difficult for staff to respond expeditiously.

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Yes?---There were constant calls to payroll staff initially, until we set up separate arrangements, of people complaining around their payroll. People were also calling because they didn't understand what their payroll slip meant and so generally there was a huge demand in telephones, a significant reduction in productivity through the technology slowness and a greater complexity in the inputting of data.

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That's the evidence of Mr Reid.

COMMISSIONER: Thank you. Mr Kent?

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MR KENT: Thank you, commissioner.

Mr Reid, I presume you have your statement there?---I do.

May I take you back a little please to, firstly, paragraph 10, which is on page 2 of your statements and you may have described this for us already, but in the second line you say that as director-general your primary focus was the outward facing or public aspects of the Health system. Do you see that there?---I do.

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You give some examples and you go on that the inward facing aspects, of which I take it the payroll project and so forth was one?---Correct.

Was handled more by, as you describe it, your directorate reports, that is, people like Mr Kalimnios and down from him?---Correct.

Correct? So there's a bit of a sort of (indistinct) or a division between the roles there. Yours was more public? ---Correct. And in fact, in meeting with the premier when I first started she made a specific point that I was to try and get out and to deal with issues such as - which were

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worrying to them at the time - around elective surgery, emergency departments, capital works projects and those types of issues.

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No shortage of topics in Queensland Health that the media have interest in, I take it?---Yes.

Can I take you to paragraph 15 on the next page please. You're there speaking of briefing note 1, which is perhaps around early September 2008 that you saw it and by then you hadn't been there very long, I think. Correct?---Correct. Two months.

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You summarise at the end of that paragraph, "The key recommendation being that Queensland Health go for contract companies in respect of these types of systems directly rather than through CorpTech." Was that the first raising with you of this idea that CorpTech being the contractor with the prime contractor IBM and Queensland Health being the third party customer was a problem?---In my first meeting with Michael Kalimnios he did raise issues around the complexity of the relationship. I don't recall he raised the proposition of this actually being an outcome of that at that time.

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Okay. Certainly during your continuing engagement with Mr Kalimnios from then on, this idea, this arrangement became a bit of a recurring theme?---Yes and no. It was a recurring theme when that brief came to me and even a subsequent brief when Peter Douglas came to me, but as I have said earlier, during the period 09, there was probably a recognition that that was not going to occur and people gave the impression to me that they were dealing within those contractual arrangements and things were approved.

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Okay. At one point it was escalated enough that you discussed it with Mr Grierson?---That's correct.

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I then take you over the page to paragraph 18. Subsequent to briefing note 1 being created and you seeing it, you suggested and a meeting was organized with Mr Kalimnios which seems to be on 5 September and he orally gave you further information as I understand it?---That's correct.

And you summarized some of it there. The first one being his view that there was a high possibility of a failure in LATTICE that may result in no payments being made to Queensland Health employees. Correct?---Correct.

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And again, is it fair to say that from then right through until go live, more than a year later, that as far as your information went, that presence of that risk never really went away?---That's absolutely correct and indeed the reason I recall from the general commentary that we had in 09 of further discussions around the IBM CorpTech one was the speed of trying to get this rectified because of that concern.

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Yes?---That concern only was moderated to the degree that we did a workaround to support the system outside the contractual arrangement with the company.

All right. And by this time of course the vendor support had ceased?---That's correct, so we did the workaround on how we would factor all of that.

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Yes. Now, he also informed you as you have just referred to in subparagraph d there, "There were a significant number of manual workarounds required for LATTICE to produce accurate payments to staff." Right?---Yes.

He expressed to you concerned of long delays being experienced in respect of the replacement payroll system? ---Correct, particularly as it impacted upon points above.

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Yes. You raised concerns that Queensland Health have - CorpTech in particular that CorpTech didn't act as Queensland Health was to be the end user of the system and therefore not appropriately responding to IBM regarding the delays?---That's correct.

Was there a feeling from Queensland Health that they would like CorpTech to be a bit more proactive?---Correct. 1

Okay?---And I think there was feeling expressed to me that it wasn't clear that we were the customer - sorry, Queensland Health being the customer.

I understand. Can I just get something from you about your overview of it to this point. I appreciate that this fairly early on in your (indistinct). Correct?---Yes. 10

You were aware, were you not, that this project so far as it related to Queensland Health was part of the larger whole of government initiative?---Correct.

Which had been going on for some years?---Since 2002.

And that at the end of 2007, IBM had been appointed to be the prime contractor?---Correct.

You may or may not be able to comment on this, but did you have any information to this effect that initially in the whole of government projects, Queensland Health was more or less at the back of the queue in the sense that it was not to be in the early phase of the whole of government initiative but it had been escalated to the front of the queue because of the problems with LATTICE?---I was aware of that. 20

Okay. Were you aware that there had been an original go live date of July 2008?---Yes. 30

All right. May I take you to paragraph 25 on page 5, please. You say there that through - the remainder of 08 and in 09, you didn't get any further final briefing notes but you had informal discussions with Kalimnios and at least once with Mr Shea. Correct?---Correct.

I think you may have told us before was it generally your memory that Kalimnios may have raised it with you, perhaps something like about every second meeting?---I wouldn't want to make a definitive statement but generally we had discussions across a broad range of issues that these were not meetings set up around payroll, they were our regular meetings and we would have spent far more time discussing probably the budget of the Health system and the - whatever the current enterprise bargain arrangements were underway more than I think we would have discussed payroll. 40

Your general feeling is it may have been every second meeting or so?---Correct. 50

You had the impression it was an ongoing problem being managed?---Yes.

Paragraph 26, you're saying Mr Kalimnios described to you the complexity of the relationships between Health, CorpTech and IBM and the arms length approach of Queensland Health in relation to those arrangements. Is that - again, I am reraising it, that same theme that we mentioned a moment ago?---Correct.

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On the balance of that paragraph, you refer again to problems that we have already discussed here this afternoon, delays about the new system going live given the ongoing problem with LATTICE. Correct?---Correct.

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You say at the end of that sentence, "We also advise you that these issues are being progressively resolved." Can I just test your memory about that. Generally he was telling you that Queensland Health on his information were doing their best to manage the problem. Is that a fair summary?---Yes, and that the issues with respect to some of the risks of going live were being progressively ameliorated.

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Were you aware of the machinery in place in that regard. I refer to such things lower down in the process as things like steering committees, a project directorate and the QHIC project board. Are you aware of those structures?---Broadly aware but not in the detail.

I understand. All right. I take you then to the next page, paragraphs 28 to 31, deal with what you describe as briefing note 3 and I think as described by you there, the main topic of that and what you ended up approving related to funding rather than type of machinery aspects?---Correct.

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Okay, all right?---And just to emphasise, that was the first brief I received since 2008.

Yes?---September.

I understand. So then in paragraph 34 in particular, you deal with this memorandum which you did not receive but we have been through the exercise, you have now. I'm saying that you received quite a bit of the information from it and there I a marked copy in existence. Right?---I wouldn't use "quite a bit". I think when you see the marked copy - I received the general tenure of the major issues - - -

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Okay?---- - - but most of the detail I did not receive.

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In any case, you set out in subparagraphs in paragraph 34 information that you had received according to your memory about the subject of that memorandum, if I can put it that way?---No. I think - and I do want to make it clear, I have no recollection of a meeting taking place around a memorandum.

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I accept that?---The various issues which that memorandum raised had been raised with me over a period of the year subsequent.

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Came to you in some way?---Yes, correct.

Probably from Mr Kalimnios?---Correct.

Okay?---And the earlier briefings.

Okay. So we regard this as a kind of accumulation of knowledge - - -?---Correct.

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- - - over time? I understand. Can I then move to the end of paragraph 34, where you say this:

Health had made CorpTech (indistinct) by being aware of its dissatisfaction, however, through the course of 09 you were progressively reassured that the source of QH's dissatisfaction 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.

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Do you see that there, what you've said?---Yes.

Can you tell us who gave you those progressive reassurances?---Michael Kalimnios.

Are you saying that happened broadly throughout the meetings that you would have during 2009?---Correct, and I've made the point that in respect to the briefing note that Price put on the FOI to that document, it's worth noting on page 2 his statement that he believes that briefing note - he said the briefing note was written at a point in time, and QH believes that those circumstances in the project have now changed.

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I understand. Can I just touch on this: Mr Flanagan's already asked you about paragraph 49 of your statement where you mention that, in your view, clearly erroneous decision to go live without sufficient rigor. I think you may have already told us that in relation to the sources of information for that, is it correct to say that a few of them are identified, or perhaps most are, at paragraph 44? ---No, those things in para 44 are things I did to educate myself immediately upon the post go live.

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Okay?---There are set of things that occurred during that interim period from March to June which included the auditor-general's report, the payroll stabilisation. 1

And that goes further than what's in 44?---That's correct.

I understand, okay. I want to ask you, firstly, about the first one in 44 speaking with Mr Kalimnios and Mr Shea about the problems that were occurring. They were, take it, the obvious people to speak to first?---Yes. 10

When you spoke with them, did you have meetings with them alone or together, do you know?---My recollection, we had the meetings together over several days, all day.

And this would have been from, what, about maybe April? ---Probably late March, I'd say. I got back on the 27th, which was a Monday, and certainly we were having indications within four or five days, so it may be 1 April. 20

Did you raise with them, do your recall, the correctness or otherwise of their decision to go live at that stage or were you more just grappling with the problem?---I certainly would have made it clear to them that it failed the no surprises test, which they knew was a critical element of dealing with any director-general, and so I think I would have expressed that view to them at that stage but I think we quickly moved onto then describing the problem and mapping it and seeing what could be done about it. 30

It sounds like you're describing a full and frank discussion?---It was.

Do you recall if they responded describing to you how they had reached the decision to go live?---No, we didn't get to that detail, I think we immediately moved to try put it aside and deal with that later and be proactive around what we would do. 40

I understand?---And they were very engaged in that process.

Still on 44 for the moment, go down to subparagraph (f), you visited payroll just to see how the payroll system worked in practical. Do you see that there? Did you speak to Janette Jones yourself, do you know?---I don't think I did, I don't recall. I don't think she came with me to those meetings, she may have, but I certainly didn't have any long conversations with Janette that I can recall. 50

Had you ever met her?---I honestly don't know, I maybe would have met her in a group meeting at some stage but it wasn't someone I met with on any regular basis or had dealings with.

And you didn't have any direct - - -?---Sorry, I did meet her, I met her at one stage at payroll, I met her, I think, at payroll at Royal Brisbane where I think she might have been based for a period of time.

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When you were talking about that, now, we're going back - - -?---Subsequent basis.

Subsequently. You certainly didn't have any direct report from her to you?---No.

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Either before or immediately after go live?---Correct.

Okay. I'm just going to have to ask you about a couple of documents, if I may, because I just want to know whether - I'll ask you, firstly, in reaching the view that you did described in paragraph 49, I'll just read it to you, "Based on all the information available to me, I formed the view that the decision to go live," et cetera. In reaching that view, did you look at a lot of documents, do you know?---I read the auditor-general's report.

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Right?---I had read the KPMG report, and the rest of the information came to me through discussions I would have had with the CEOs, Michael Walsh and other players.

I'll then ask you this question: You're aware, aren't you, that the decision to go live was made by the QHIC project board?---Correct.

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I wonder if you could look, please, at volume 5 of the tender bundle, it's page 168, document 598?---Sorry, I missed the page.

Page 168. Just bear with me for a moment. This seems to be the brief for the decision for the QHIC project board of 14 March 2010. Firstly, I think we agree that's the day the system went live?---No. Sorry, yes.

Okay. And are you aware, you may well not be - were you out of the country at this stage or just about to leave? ---I think just about to.

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Did you know that the board met about 7 am that morning? ---Yes.

We see there that under the heading "Status" there's a description of criteria specified in the QHIC gate 3 approval for business go live document, and those criteria have been met. Do you see that there?---Yes.

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Do I take it you haven't seen this document before?---Only in the context of this inquiry.

Not at the time?---No.

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Was this the kind of thing that Mr Kalimnios may have told you at the time?---He certainly told me that a decision had been made by the QHIC board to sign off to go live. 1

Did he tell you that it had been made having regard to the criteria in the gate 3 approval for business go live document?---No.

All right. And were you aware that the project board was advised and made more of these relevant decisions about this system via the project's directorate?---Yes. 10

And the job of the directorate was that it had on it a number of people with more technical expertise - - -? ---Correct.

- - - rather than the higher level of people who were on the project board?---Correct.

Including such people as Janette Jones?---Yes. 20

Would you have expected that the board acted on the recommendation of the directorate?---I would have expected that would have been the prime source of information.

I'm just going to take you, hopefully fairly briefly, to two other documents. The first one is in tender bundle 13 and it's at page 283 of that volume. Have you ever seen that before?---Not prior to the inquiry. 30

You've seen it since this all started up?---Yes. Yes.

I should ask you whether you were aware at the time of the existence of KJ Ross as being a firm that was engaged to do testing?---I can't recall.

If that's the - - - ?---I don't think so.

If that's the kind of thing that would have been happening, it would have been more to do with people like the directorate members?---Yes, it would have. 40

I'll take you briefly, Mr Reid, to - it's a few pages in, but page 1 of that document, which is the executive summary. Towards the bottom of the page there's in the fourth-last paragraph:

It's the recommendation of KJ Ross that the project has derived as much benefit on the user acceptance testing as is possible given the current project parameters. Allowing more time in UAT in its current form will not significantly reduce the risks or assist in production. The risk for production roll-out could be reduced through effort being expended - 50

something -

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a full system and integration test on the application as a whole. Given that this may not be practical it is perhaps nevertheless the only real way to assess the true quality of this system.

Can I ask you whether that concept has been explained or put to you before by anyone, including Mr Kalimnios?---If I'm reading this correctly, and I may not be because the words are a bit - - -

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There's a bit of jargon there?---Yes. But if I'm reading correctly, very early on in the piece, Michael and I had a discussion around whether it was possible to test the payroll in one district prior to roll-out. So if that constitutes a parallel - - -

That's not quite - I'll put another question to you?---Yes.

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Has it ever been put to you that - have you heard of user acceptance testing?---Yes, yes.

Has the concept been put to you that user acceptance testing got to a stage where persisting with it wasn't going to help any more?---Yes. That was my understanding.

Has it ever been suggested to you that a full parallel run of the system for Queensland Health as a whole, that is LATTICE and the new system in parallel - - - ?---Correct.

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- - - was not really a practical thing to do?---That was; and even a run within a district was not a practical thing to do on a parallel basis - was the advice I was given.

Largely because payroll staff that were employed there were fully occupied with what they were doing?---I don't understand the full reasons, but I was told it had been assessed and not deemed to be feasible.

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Lower down on that page there are two options, the first one being the later roll-out until this full test is conducted, that could be executed by any vendor specialising in payroll systems and would be a true measure of the quality of the system, but the risk is the (indistinct) of government for delay, but the risk of system issues in production would be greatly reduced. So that was one possibility. Perhaps I'll allow you to read the second paragraph to yourself?---Yes.

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So there were two possibilities that went up in that KJ Ross document and they were the two options being considered. Do you see that there?---I do.

Can I then take you to a document in tender bundle 15 and it's at page 4 of that - - -

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COMMISSIONER: Do you want Mr Reid to keep the - - - 1

MR KENT: I don't need them. Thank you, Mr Commissioner.

COMMISSIONER: Where are we going?

MR KENT: Tender bundle, volume 15 and it's at page 4 there.

Have you seen that document before?---No. 10

On its face what it asserts is that the QHIC final solution risk assessment report 1.0 presented by Mr Burns and Mr Shah - if you just accept for a moment from me that this was something that the directorate and the board considered. Okay?---Yes.

Can I take you please to - I think it will be page 16. It's the executive summary. Do you see that there?---I do. 20

There's a heading Risk Profile Current LATTICE ESP System. Were you aware that as well as LATTICE, the rostering vehicle under the old system was ESP?---I was.

Yes. Just have a look at the second dot point please.

The software in the system is no longer supported and there's an extreme risk of system failure occurring in the future. 30

Further down:

The complexity of the awards required by the Queensland Health payroll system are extremely difficult to build into the current system.

Correct?---Correct.

Can I just pause there and ask you this: is it true that there were enterprise bargaining arrangements - - - ? 40
---Proceeding.

- - - on the horizon?---Correct.

And perhaps getting a fair bit closer than the horizon at this stage?---Correct.

And implementing them into LATTICE was going to be very difficult?---Correct. 50

If you look at - - -

COMMISSIONER: Mr Reid, as a matter of interest, when it came to negotiating the terms when you enterprise bargain, was the difficulty of actually implementing any new agreement because of the complexities and the difficulties

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with LATTICE it arose as a topic of relevance?---If I understand the question, the difficulty of a new EB was not put - I mean, there was issues around - - -

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No, no. When you're in negotiations with the unions - - -? ---Yes.

- - - and new demands are made and so forth, was it ever regarded as being relevant that what was asked for mightn't be deliverable because the system couldn't cope?---I think in hindsight it was deemed that greater effort should have been done to remove some of the smaller benefits which staff enjoyed. When it was discussed with the union post go live about how we might simplify the system, of course, as you would expect the unions took the view that as long as no individual person gets disadvantaged. So, for example, there were things, commissioner, like meal allowances, very small amounts of money which made the payroll system complex and that's where the 24,000 varieties of different arrangements came from, but I don't think it's fair to say that - it's not fair to say that in the enterprise bargaining negotiations there was consideration given to the complexity of paying people under that new enterprise bargaining agreement.

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Thank you?---But there should have been.

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MR KENT: Some of that leads onto the next dot point, which I'll direct you to. 1

Some awards were too complex to be included in the system and require ongoing manual processes to implement. In fact, some of the new complex EBAs cannot be built in the system.

Do you see that there?---I do. 10

This is not a factor you were specifically aware of yourself at the time, I take it?---Correct.

All right?---Sorry, I should say I was generally aware of the arising of, as the commission pointed out, of a new EB would not make the system simpler.

Is this true to say: that during the period of this attempted implementation of this new system, had there been discussions with unions and an agreement to put some EBA negotiations on hold pending the implementation of the new system?---I can't recall whether that's the case or not. I would find that to be a difficult proposition put to the unions. 20

Can I take you briefly to the next page - sorry, two pages over in the report. I'm not sure what page of the tender bundle that is.

COMMISSIONER: 18, I think?---Page 18. 30

MR KENT: 18, thank you, Commissioner. You'll see there there's a heading, "Does the new solution represent an increased or decreased business risk to Queensland Health?" under the heading "Assessment", it was said by the author, "Due to the extreme risk posed by the present reliance of obsolete and unsupported technology in the LATTICE ESP payroll system, it is better to move to the new solution." This assessment is reliant on the assertion by Queensland Health and CorpTech payroll groups that the new solution is operationally sustainable. Do you see that part of that assessment there?---I do. 40

Again, I'll take it that's not something that's been exclusively put to you in those terms previously, although generally it may have been?---Generally, it would have been, the relative risk and increasingly in Michael Kalimnios' views, as I indicated earlier, was he's more concerned around LATTICE dysfunctionality over time. 50

Yes?---But I don't think it provides a rationale for not predicting adequately the consequences of a new system regardless of the workarounds that might have to be done in implementing a less than fully functional one in order to reduce the risk of LATTICE.

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Again, these are operational matters which I understand you're above, really, and not - - -?---Aside from. 1

- - - down in the trenches with them, correct?---Yes.

Had you heard of a defects management system?---Broadly heard of how they were doing that, yes.

All right?---Because that was part of the discussions, those things were progressively being addressed over the period. 10

And it wouldn't surprise you if people like Ms Jones and her staff had done a lot of work on that?---Not at all.

Okay. I'll take you, finally, then to the bottom of that page and over the top of the next page. This deals with Queensland Health's strategic business perspective on possibly delaying the go live further due to potential quality risks in the new solution, and the author's have four paragraphs, the first one referring to: 20

The complex tri-partied contractual arrangement with the prime contractor and CorpTech, referring to signification contractual and commercial challenged if the project does not go live now.

Would you take that as a reoccurrence of the theme that you and I have been speaking about?---Correct. 30

Secondly:

The project staff, from all parties, are fatigued, attempt to delay and restart project phases at this stage would be detrimental the morale and cause a loss of key skills and knowledge.

Thirdly:

Rebuilding the project team is going to be time consuming and expensive and a financial cost, and time and morale impact on staff of developing the new solution has been very high. The business is faced with project exhaustion across the organisation. 40

I know you haven't seen that document at the time. Had you heard of those kinds of observations - - -?---I had - - -

- - - being put to perhaps the directorate and the project board?---I'd heard those observations. 50

And I presume you heard them mostly from Mr Kalimnios, maybe from Mr Shea?---That's correct.

Apart from that lengthy introduction, my question to you is: having taken you through those details and accepting your considered view that, "The decision to go live with the replacement was clearly erroneous and made without sufficient rigor," would you concede that it is possible for reasonable minds to differ on that conclusion?---Yes, I can concede that, and, indeed, people would hold that view. But I would strongly adhere to the view that notwithstanding those issues that, let's say, encouraged a go live decision, I still would hold to the basic premise that in terms of the no surprises rule in terms of what was known in the government, the minister, amongst staff, amongst payroll staff, amongst other managers, there was clearly inadequate knowledge of the consequences of a less than adequate go live decision.

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And understand, Mr Reid, I'm not suggesting to you that you're wrong in your conclusions?---No, I know.

Rather the middle ground that I took you to a moment ago. All right. Now, one last file, you'll be relieved to hear. Can I take you to the first attachment to your statement which is entitled "MR 1"? This is the brief for noting, and am I right in saying this went from you to the director-general of the Department of the Premier and Cabinet?---Correct.

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And it deals with the way this was all unfolding at the time, if I could put it that way?---Correct.

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Can I take you to the foot of the first page, there was by the end of the first pay period a backlog of 26,000 adjustment required to be processed, 18,000 staff affected, of whom 1800 received no or minimal pay. By 11 April they'd all had their pay processed?---Correct.

That's described as being - - -?---Through mainly cash payments.

And this is where - - -?---Outside the payroll.

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- - - there were these emergency, in effect, where - - -? ---That's correct.

- - - people weren't paid, they'd been paid within 24 or 48 hours?---24.

And that summarises reflecting about 7 per cent of the total pay run?---That's correct.

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That was the first pay run?---Yes.

And we've heard other evidence today, you may know this, that was actually done in a compressed time frame, correct?---Yes.

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The top of the next page is the discussion of the second pay run processed 7 April, and as at 10 April the 26,000 backlog was reduced to 9000. There were 382 staff with no or minimal pay by that stage, and in the third dot point, "That represents about 1.7 per cent of the total pay run"?
---Correct.

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Pausing there for a moment, as you pointed out in other documents, there were other issues about all of this which were coming up gradually and eventually led to the set up of the stabilisation program, didn't they?---Correct.

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In terms of people getting paid, it's fairly clear that the situation was pretty bad at the start, but improved fairly quickly?---I think there was a relatively long tail after this. This takes us to the second pay run, I think.

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Yes?---I don't think there's a third here, but there were still major issues particularly around concurrent employees and casuals which went on for a period of time.

All right. I'll take you further down the page then?
---Right.

The third pay run from new system process, 18 April?---Yes.

Should that really say, "To be processed on 18 April," I presume?---No. That relates to the period of the payroll which - I don't know the actual day, but it's kind of a Tuesday before the payroll run where you close off any - - -

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I understand. But you're writing this, I think, on the 11th?---Yes.

Yes. You say, "By this period the backlog will be reduced to normal level," the backlog of 9000:

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Adjustments will be reduced to the normal level of three to four thousand adjustments required and that will mean the payroll will be as clean as possible and as existed with the previous system.

That's the way it's described in the brief?---Yes.

Would you agree with me there does seem to be, at least in those raw figures, a significant improvement in the first three pages?---Correct. But it came at a significant cost.

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Yes?---Yes. In terms of staffing that needed to be employed.

We've already heard about the staff being increased?---Yes.

And present staff who were working there were working punishing hours, weren't they?---And I think you'll find probably when you talk - if you're seeing Michael Walsh, you will find that it reduced and then had a pretty steady escalation period when some more systemic issues came into play. I mean, it took a number of pay cycles for people to understand the pay document, for example.

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Yes.

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COMMISSIONER: When they did, did they realise there were problems?---Yes. That's correct. 1

MR KENT: Can I ask you just a couple of questions about that to see if you can comment on this or not.

COMMISSIONER: Mr Kent, we're going to hear from Mr Walsh and I think someone else on this topic. Is it best to - it's up to you - but it may be more effective to ask the questions of those witnesses? 10

MR KENT: It may well be. I'll just ask two, commissioner.

COMMISSIONER: Yes.

MR KENT: At around this time, that is the end of the third payment, by mid to late April now, right, did these problems start to get a lot of currency in the media? ---They had relatively significant currency, but certainly there were particular circumstances in particular places which heightened the media coverage throughout the state. 20

Were you aware of operational problems being fed up from the payroll staff to this effect that this was generating claims, not only arising from the installation of the new system, but historical claims - - - ?---Yes.

- - - which were greatly adding to the workload?---Yes, that's correct. Remember, there were still 26,000 LATTICE claims unprocessed at the time. This related to the new pay runs. It didn't address the 26,000. So progressively over time people were aware that there was still a significant amount of pay X months ago which hadn't happened. 30

Yes?---I think that, coupled with people starting to understand what the payslips meant, heightened it and I think certainly the media coverage and the rest of the coverage and the communications at district level made people much more acutely aware of what their pay was. 40

Nothing further, thank you, commissioner.

COMMISSIONER: Yes. Mr Traves?

MR TRAVES: Thank you.

Mr Reid, one could be forgiven reading your statement to conclude that you take no responsibility for the payroll problems?---No, that's not correct and in fact public statements I made at the time that I was ultimately accountable, and I accept that accountability, and indeed the auditor-general has made that comment. 50

What responsibility do you take? Where do say your performance could have been better?---I think once I found out what the issues were post go live, I felt that the system, including myself and others did everything possible to try and rectify the issues. Obviously, in hindsight, you can look back and think whether I was fully briefed or whether I made myself fully briefed about the issues over that two or three-year period.

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In doing that, what's your conclusion?---I take the ultimate responsibility, as you say, as I would in any area, but I still hold the strong view that these people were employed, as were a number of my directorate reports, to do a job and in this case there was, I believe, a failure in public policy.

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All right. You were taken to a document at volume 15, page 213, which is the Queensland Health QHIC Board meeting minutes of 14 March 2010.

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COMMISSIONER: What page?

MR TRAVES: At page 213?---Yes.

You'll see there that the project directorate under the heading Status put a number of propositions or assessments, in effect, to the board?---Yes.

There was one problem only noted there before a go live decision might be made by the board. Do you see that? ---The amber? Yes.

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Yes. But there was apparently a solution for that problem contemporaneously with it being noted. You'll have to answer the question?---Yes.

So that ultimately it's plain that wasn't a problem? ---That's my understanding.

On go live?---Yes.

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So that the board, effectively, acted upon the recommendation of the project directorate, did it not?---It did.

I put it to you it was entitled to do that?---Yes, it was.

So that being the case, why did you dismiss Mr Kalimnios and Mr Shea and describe the decision to go live by the board as clearly erroneous?---Because it was my view that the board had the determination, the delegated authority, to go live. Whilst they might have received advice that things were ready to go live, I don't believe that that was a sufficient reason for them to make that call and I would still hold that and I think that would relate to any

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delegated authority of any person who holds that of making that decision in any other area as well. 1

But it doesn't apply to you, Mr Reid?---Well, in fact - - -

(indistinct) relied upon advice and, effectively, exculpated yourself from responsibility?---No, that's not - -

Whereas these men acted upon advice and were terminated? ---That's not correct. I haven't exculpated myself from any responsibility. I've said publicly quite frequently that I accept the responsibility for Queensland Health employees being paid correctly. 10

But in what respect? It's a hollow claim, Mr Reid, unless you admit responsibility for some fault. What was your fault that you refer to? What did you do wrong?---No. You don't accept responsibility on the basis of a fault. You accept responsibility that I was responsible for ensuring that Queensland Health staff were paid correctly. I'm also responsible for ensuring that elective surgery is undertaken according to the criteria which is established and I'm also responsible for ensuring that we respond as correctly as we can during process of floods or cycles or adenovirus, all of which have people who hold delegated responsibility for. 20

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All right. But it's a hollow claim to responsibility, when a failure below you has no consequence, say that if an operation goes wrong at a hospital or something else in the department doesn't work as it should, you can well claim responsibility but it has no consequence because in fact you're not, I suggest, you're accepting fault in any way? ---Sorry, what do you - - -

You're not in any way accepting fault, you're merely completing a mantra that the head of a department is responsible for everything which happens within it?---Yes, that's true.

Now, in the context of you saying you're responsible for the payroll incidents, the new payroll system, do you accept any fault as opposed to a hollow claim to responsibility?---I accept the fault that I was not more vigorous in trying to find out what were the issues which would occur in going live. I took the assurance of the board that the system was ready to go live, and the belief that the board members who said there would not be detrimental consequences to Queensland Health staff from doing that.

What of the process before that time, Mr Reid, the process which involved on two occasions your director of corporate services, Mr Kalimnios, raising with you, first, in a written form and otherwise by way of a meeting, serious concerns about the way in which the contract was structured and you doing nothing about that but talk to Mr Grierson? ---No, I did talk to Mr Grierson, expressed the strong views to Mr Grierson on a number of occasions. I would have expected if there were ongoing issues that would have been raised with me, as I would expect any deputy director-general to raise ongoing issues. From the period of late 2008 through 2008 and through 2009, o was not briefed in any way, shape or form that there are ongoing issues which would make the go live so risky. In fact, I was assured that it would be okay and the issues had been resolved. I took their advice from people who were accountable for that.

You couldn't have been any in doubt in mid 2009 that there remained serious problems with the implementation of the new payroll system?---Not correct. All the advice - - -

Mr Kalimnios came to see you, did he not, in mid 2009 and I suggest to you made it entirely clear over that and the course of other meetings that there were serious problems with the implementation of the new payroll system?---No, I think if you listen to the words I've used earlier, that he made those points to me 2008, I didn't receive that brief in 2009. The views he expressed in the brief that I didn't see in 2009, the price brief were views that have been made to me by Mr Kalimnios early. All the conversations I had

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with Mr Kalimnios, and indeed with Mr Shea, was that notwithstanding their desire to move outside the contract initially that they were progressively dealing with those issues and they thought they would be resolved.

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You do speak in paragraph 34 of your statement of a meeting with Mr Kalimnios, or at least meetings at the time during which these matters were raised. I haven't had a chance to look at your marked up document that you handed to the commission straight after lunch, and I'll come back to that, but these matters at least, you say, were raised: that LATTICE was an unsupported and aging payroll system? ---Can I go to the comment on the - I think you're misinterpreting my words, if I can just explain, if that would help? That commentary related to the memorandum that I saw subsequent to the FOI. I was asked as to what I knew of that memorandum in terms of the content of the memorandum, I've made a list of things that I knew of the content of the memorandum but not from the memorandum.

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No, I understand that?---It was advice given to me back from September 08.

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That's right?---Yes.

But from September 2008, you were aware that LATTICE was an unsupported and aging payroll system?---That's correct.

And that concern or that knowledge that as a matter of comment between you and Mr Kalimnios continued I suggest through 2009?---That's correct.

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And you said to us earlier that it never been described as something which was critical, but there was no doubt in your mind, I put to you, that there was a risk, indeed, a significant risk, that the LATTICE system might collapse? ---The word I disagreed with was "crisis" not "critical", so if we reflect on the text, from memory. What I was concerned with, as was Michael, about the possibility of the collapse of LATTICE, we shared that view and hence we made regular - he, in particular, made regular encouragement, as he should have, to CorpTech and IBM to expedite the processes.

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You knew and had been informed during 2008 and 2009 that the QHIC project was over time and budget and that costs had escalated?---That's correct.

To your knowledge, what were you told had caused that?

---Well, in the main, my understanding was the issue - - -

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What had you been told caused that, not your understanding, what had you been told?---My understanding of what I was told of that issue was the complexity, the arrangements between CorpTech, IBM and Queensland Health and the lack of

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responsiveness to CorpTech and IBM which was causing cost escalations in QHIC.

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So you understood there to be problems in the tri-partied arrangement between CorpTech, Queensland Health and IBM? ---I've already stated that, yes.

And the problems were, can you tell us again?---My understanding was there were tensions between the various agencies around their respective roles.

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But Queensland Health, you say, you were aware, was concerned about the control of the project deliverables resting with CorpTech?---That dates back to the very first memo I saw in 2008.

But it continued through 2009?---No, sorry, I'm not making that statement, you are. I was asked what are the comments out of the earlier brief that I could identify, so these are things which came to my attention at points in time.

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All right. Let me come to this: you say, during a range of regular meetings with Mr Kalimnios, including the meeting referred to in paragraph 18 above, "Kalimnios had provided me with some very general high level information on the following issues." And I'm putting to you that he's provided you that information during 2008 and 2009?---Yes, he would have provided - that would have continued through 2009 in the early period.

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Why do you say "the early period"?---Because progressively through the latter part of 2009 he became much more confident that, notwithstanding the problems that had been identified, that he thought the systems were being rectified in the relationships between CorpTech and IBM and the system was progressively becoming ready to go live. That was, as I said earlier, reflected in the board statements with the progressive green lights, as you've identified earlier, and it reflected in the Price memorandum on top of the FOI which even points to the fact that the executives of Queensland Health thought the issues were being rectified.

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Mr Reid, one can't help but conclude, if its puts your mind at ease, that by the time the project went live the board thought that was the right decision, I can assure you of that, at least in the case of Mr Kalimnios and Mr Shea, but the point is, Mr Reid, that at earlier points in the project serious matters were raised with you concerning in particular the structure of the project where you did nothing about them?---I would not accept that interpretation of it, I would argue the case that at any stage Michael could have sent a brief to me or come to see me around seeking quite explicit support from him doing those things. That was not forthcoming, and all the

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conversations I had with him were to the view that he thought he was rectifying the problems which have been identified. 1

Can I take you to one time the matter was raised specifically with you and ask you to look at the memorandum, brief of note for approval, dated 29 August 2008, which is in volume 5, page 294?

COMMISSIONER: Mr Traves, can this wait until tomorrow morning? 10

MR TRAVES: Pardon me?

COMMISSIONER: Can this wait until tomorrow morning?

MR TRAVES: By all means.

COMMISSIONER: By the time the volume is found it will be stumps. 20

MR TRAVES: Thank you, Mr Commissioner.

COMMISSIONER: All right. We will adjourn until 10 o'clock tomorrow.

WITNESS WITHDREW

THE COMMISSION ADJOURNED AT 4.30 PM UNTIL WEDNESDAY, 1 MAY 2013 30

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