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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 13/05/2013

Continued from 7/05/13

DAY 28

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THE COMMISSION COMMENCED AT 10.32 AM

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COMMISSIONER: Mr Horton, good morning.

MR HORTON: Good morning, Mr Commissioner. I call Natalie Margaret MacDonald.

MacDONALD, NATALIE MARGARET affirmed:

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MR HORTON: You're Natalie Margaret MacDonald. Is that correct?---I am, yes.

You have prepared a statement for the inquiry dated 16 April 2013 consisting of some 48 paragraphs. Is that right?---I'll check the paragraphs, but that sounds about right. Yes, that's correct.

Thank you. I tender Ms MacDonald's statement.

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COMMISSIONER: Yes. Ms MacDonald's statement is exhibit 115.

ADMITTED AND MARKED: "EXHIBIT 115"

MR HORTON: Ms MacDonald, do you have a copy with you of your statement with the annexures?---I do, yes.

Thank you. If I just deal first, Ms MacDonald, with some background. You were, I think, the director-general of the Department of Housing between 2004 and 2009?---That's correct.

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And then you moved into Public Works in, I think it was, May 2009?---May 2009. That's right.

Did you have any involvement with the Shared Services Solution being rolled out in Housing at the time that you were director-general?---Well, all departments had a role in the Shared Services arrangements being put in place because there was a series of activities taken away from departments and put into some central functions.

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Yes?---But if you're referring to the implementation of the SAP payroll system - - -

Yes?--- - - - Housing was the pilot system.

Yes. What involvement, if any, did you have with that part of - - -?---Very little. So the project - our head of corporate was running the project and I - - -

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Yes. Do you know enough, for example, to be able to form a view about whether it provided a basis upon which one might

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rely for the interim solution for Queensland Health?---It was a payroll system the way it was rolled out in Housing for general workers. There weren't complexities of shift arrangements, et cetera, in Housing and while it had some interesting challenges for us, which were more cultural than anything else, getting used to the SAP system, it was not a major drama in Housing.

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That rostering, as I understand it, in - - -?---No rostering, no, no.

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Yes. Was there a Workbrain component in the Housing section?---No.

Then you moved to be associate director-general, I think, when you move into Public Works?---That's correct, yes.

Just explain, will you, briefly what the name "associate" at that time meant?---Okay. So the government moved from having sort of a larger number of departments to a smaller number of departments and as part of that process it merged a whole lot of departments together and there were a small number of directors-general through that process, but I sort of woke up one morning with no department and so associate director-general was a new title given to those and I was asked to go to Public Works in that process.

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When you came into Public Works, did you take on responsibility of some kind for the Shared Services Solution and the QHIC project then under way?---For CorpTech, among other things. I had a significant number of units reporting to me and CorpTech was one of those.

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Yes. So the executive director of CorpTech reports to you directly. Is that right?---Yes, reported to me. Yes.

And then you reported to Mr Grierson?---Mr Grierson. Yes.

And then some time later, I think, from April 2011 you're the director-general - - -?---Yes.

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- - - in place of Mr Grierson of Public Works?---That's right.

COMMISSIONER: What date was that?

MR HORTON: From April 2011 - - -?---Well, I was acting from April to July and then July on.

Substantive from July and then through to August 2012, as I understand it?---That's correct, yes.

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Thank you. Could I just start please with your statement. Paragraph 38 at present - I know I'm sort of starting in the middle, but it's a topic which I'm going to deal with

discretely. You mentioned meetings with the IBM project director Mr Bill Doak, saying you met perhaps twice or three times?---Yes, I can't recall how many, but there were the occasional meetings with him, usually at the request of Ms Berenyi.

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Mr Doak has said that he would meet with Mr Grierson weekly. Is that something you're able to comment on or know about?---Other than I'd be surprised if he met with him weekly, only because Mr Grierson was extremely busy and it was unusual for suppliers to meet with him that often, but they would have had the occasional meeting because from time to time I was asked to provide some briefing material or update on what was happening.

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Yes?---So there would have been meetings, yes.

When Mr Grierson is absent, Mr Doak met with either you or Robin Turbit. Is that correct?---That's possible.

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Yes?---I don't recall regular meetings with Mr Doak.

The best of your recollection is, what, twice or three times that you met with Mr Doak?---Yes. I think that would be about right. Yes.

Do you remember was Margaret Berenyi present for those meetings?---Yes.

And what in general terms was the purpose of the meetings? Do you know?---So we were obviously, as you would see from a lot of the documentation watching this project and there were issues all the way along from the time that I was involved in it and Margaret would sometimes brief me and ask for me to meet with Mr Doak to express views to him about the need for either additional resourcing to be put in or more effort to be put in to meet the go live dates that had been scheduled.

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And what were the result of the meetings that you participated in?---Well, it was my impression - and I think I said this in my statement - that all parties were putting in effort to bring the system live, particularly in light of the concerns around LATTICE and how long that would survive. So I was forming, I guess, the impression that things were happening, not as quickly as I would have liked, but things were happening, anyway.

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How did meetings of this kind fit in with the overall project or program governance structure?---So these meetings were over and above the program governance structure and that's why Margaret would initiate to say, "Look," you know, "can we put some pressure on IBM to get dates ready earlier," to kind of meet the change request requirements, or whatever the scenario happened to be, but

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they were not part of the project governance. The project governance had a board, of which IBM, Health and CorpTech were all a part.

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Yes. Did you ever see that those meetings might be in conflict with or be a threat to the authority of, if you like, the governance arrangements which were in place in a formal sense?---No. No. They were an added process because IBM was doing other business with Queensland government.

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Yes. Mr Grierson, you were saying, you're aware of met with Mr Doak. Just leave aside for the moment how regularly?---Yes.

Did he communicate to you what occurred at the meetings that he attended with Mr Doak as a rule?---Occasionally. I mean, you'd have to ask him - - -

Yes, we will?--- - - - how much of that he did, but, yes, you know, I think that if I was catching up with him sometime shortly thereafter, I would either ask, you know, what were the issues, if I was aware of the meeting or he would relay if there were concerns that had been expressed.

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Yes?---That was the nature of the weekly meetings that I had with him.

Yes, thank you. Can I turn now to change request 184 which is the main topic I want to ask you about?---Yes.

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I would like to ask you about some documents which are associated with it. Your annexures, I think, three and four are in the lead up to this agreement for change request 184. You've also included, I think in your annexure 1 at page 76, a without prejudice note which concerned some of the issues which had been raised in connection with that change request. Can I go first to your annexure 3 and it's also in the bundle for those who need a reference in volume 9, page 98. Do you have that annexure with you?---Yes, I do. Yes.

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I think you say that although this is undated, it's likely to have come to you between 9 and 15 June. Is that right? ---It looks like the briefing note that accompanied the letter to IBM, so I'm assuming it did come to me even though it's not signed.

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And it has a CTC number, I think, in the top, at least in the bundle version - - -?---Yep. 1

- - - which we should understand means you got to some stage of finality, is that right?---Yes, I think that's correct.

I just wanted to ask you on page 3 of the annexure, paragraph 2, "Queensland Health and CorpTech's current position is that a proposed \$5 million additional payment to IBM funded by Queensland Health is to deliver an accepted working payroll system". 10

COMMISSIONER: Mr Horton, where is this passage?

MR HORTON: I'm sorry, page 3 - - -

COMMISSIONER: Page 3.

MR HORTON: - - - and it's the second paragraph down, Mr Commissioner. 20

COMMISSIONER: Thank you, I've got that.

MR HORTON: I'm really wanting to focus on the words "to deliver an acceptable working payroll system". Where, to your knowledge, had that notion come from?---My understanding of this briefing note and the lead-up to this was the repurposing, for want of a better expression, of the agreement with IBM to deliver just the Health solution and not other things that it had been prior contracted to deliver. I think the objective in that was that Health have a payroll solution that they could rely on. 30

When you say "repurposing", was that the word you used? ---Yes.

What was the change in purpose on the operation which required it (indistinct)?---Well, most of those negotiations happened before my arrival, so the discussion - this briefing note would have been about five or six probably after I arrived in Public Works, and there had been, as I understand it, and as I had been briefed, and I think I said this in my statement by Mr Grierson and Ms Berenyi, a fairly substantial period of rework with IBM to work through what the Health project would deliver and how that would be done, including governance arrangements et cetera which are the subject of the annexure 4 briefing note, and to exit IBM from some of the other things that they were going to deliver in the longer term. 40

But what part of that was the repurposing is what I'm trying to understand, what precisely was the change in purpose?---So the contract, the overall contract with IBM, as I understand it, was much, much broader than just this 50

and so that whole process was being reworked through. They also had been, prior to this, doing some work with Education, as I understand it, and this whole process was actually to rework the statement of works to actually deliver just the Health project.

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Sure. So the commission's aware that in late January 2009 a decision's made that IBM, at least for now, have no new statements of work, that it work on the QHIC project only? ---Mm'hm.

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So this comes some six months afterwards. What I'm wondering is what part of that decision caused the repurposing?---I think it was a fairly complex contractual set of arrangements, as I understand it, that were being worked through.

But the QHIC project was part of its own statement of works, statement of work 8, is that your recollection?---I can't recall the numbers, but, yeah.

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I'm just trying to understand what - - -?---But the governance - there were a whole series of statements of works, as I recall, that outlined governance arrangements, that outlined board and management arrangements, all of which were actually being reworked to eliminate some of the tension and anxiety that was already evident in getting this project through to delivery.

What part of this change of purpose of or gave rise to the purpose of delivering the acceptable working payroll system? Was that a change or was it always the purpose? ---I mean, my understanding would have been that it was always to be delivering a workable payroll solution. I'd be surprised if it wasn't, but I wasn't involved in the negotiation of the first round so - - -

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Was this one of the objectives which change request 184, to your mind, was directed towards achieving?---If you look at annexure 4, which is the submission that covers a whole range of issues that had been identified with the current project status, including governance, methodology, adequate requirements specification, my understanding from the team at the time was that there was a whole process going on to actually rectify those things and that this repurposing was in fact to try and pick up those issues.

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We'll get to that document next, but - - -?---Well, this document came first for me, so I got this document first when I just arrived.

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COMMISSIONER: Which is this one?---Sorry, my annexure 4, I don't know whether you have a reference - - -

MR HORTON: Yes, in the bundle it's volume 9, page 115?
---So there was a series of issues that were being identified by CorpTech, and they were trying to work those through to ensure that they could actually be rectified as the project moved forward.

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Were there issues, you thought, that needed to be addressed as part of 184 leaving aside governance and so forth? We've just centered around there being an acceptable working payroll system?---I don't believe that the requirement to deliver an acceptable working payroll system would have differed from the first contract to any variations thereafter.

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I understand, but were there things which were, in your view, needing to be done under change request 184 so that objective could be realised?---At that point, I wouldn't have formed a technical view on what that was, I would have been relying on the advice of CorpTech.

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Just look in that same paragraph I was directing your attention to on page 3 of your annexure 3. There was the commercial settlement, see there in the second last line of that paragraph?---Yep.

In lieu of all outstanding in disputed items?---Mm'hm.

The intention was with this change request was to put to bed, was it, all the controversy which up to that stage had existed?---Reading those lines, that would be what I would assume the intent was, yep.

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And then the recommendation over the page is that there be an extension of time for the system and the payment of an additional 7 million, and there's an attached draft letter for you to sign?---Yep.

Then if we turn to your other annexure, which was the annexure 4, that's at page 115 of volume 9, you say this came first?---I believe so. Annexure 4. When I first arrived at Public Works I was given a briefing by Margaret Berenyi on a whole range of issues associated with this project.

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In that annexure 4, in the second paragraph under "Background", there was a meeting on Tuesday, 9 June between IBM, Public Works and Queensland Health?---Mm'hm.

Were you at that meeting?---I don't recall being at that meeting.

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Do you know who was?---No, it doesn't ring any bells to me at all. I imagine it was Margaret, but I just do not recall.

And then proposed to be an additional payment of \$9 million?---I'm sorry, I've lost you. Where are you?

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Third paragraph under Background?---Okay, right. Sorry. Yep, I'm with you.

And then the next paragraph, "The proposed additional payment of 9 million is in consideration of three things: the extension of time," first dot point, second dot point, "there be developed some additional functionality." What was the additional functionality to be developed?---You'd have to seek advice from the CorpTech reps in relation to that, but there was, as I recall, a range of additional functionality through the process that Health requested along the way. My understanding, which I wouldn't have known at this time, but I learnt along the way that there was a lot of off system processing that Health were doing that they wanted incorporated to become automated, effectively. So it may well have been related to that.

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What part of that functionality did you know at the time was part of delivering the working payroll system?---I would not have been aware of the details of the functionality at that point.

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And the next dot point, "Engaging some additional IBM resources." Do you know what they were?---There was a lot of pressure, as I understand it, on IBM to put additional resources into the project to meet the time frames, all in the context of people being worried about LATTICE.

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Yes, but weren't they time frames which IBM was, in any event, obliged to meet?---You'll have to ask IBM about that.

Next page. And then it's set out there, you'll see, with those one, two, three, four, five dot points, what was the breakdown, if you like, of the amounts?---Yes.

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And that breakdown I think we then see flow through into the change request itself which I'll go to in a moment?
---Mm'hm.

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But can we just turn now to your note please, which is at page 76 of your annexure 1 which is the note about - - -?
---So that's not my note. That isn't my note.

It's a note attached to your statement which we don't have otherwise in the material, which is just why I'm calling it your note for the minute. I'll ask you what you know about it.

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COMMISSIONER: Mr Horton, I mightn't have this. I don't seem to have a page 76, annexure 1.

MR HORTON: I think your associate, Mr Commissioner, might have another version there, that might help.

COMMISSIONER: Thank you.

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MR HORTON: It is just before tab 2.

COMMISSIONER: Yes, thank you.

MR HORTON: Ms MacDonald, what do you know of the author of this document?---I had not seen this document until it came in a series of documents that came to me as part of your interview process with me, so I can't recall whether it came from yourself or from Crown Law.

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Yes?---I had not seen this document. I'm assuming it was prepared by someone in CorpTech, possibly James Brown or Margaret Berenyi.

Yes. Had you seen it at the time that you - - -?---No.

- - - were considering whether to authorise change request 184?---No, I had not seen this document.

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Good. We can leave it there. Can I get you to turn, Ms MacDonald, to the change request itself? It might be best to follow this in a volume rather than your annexure, if that's all right, in volume 9, page 128. That's change request 128 there, Ms MacDonald, that you've been handed. You were the authorising officer on this change request?
---I believe so, yes.

We've seen other change requests that have been authorised by Margaret Berenyi or Ms Perrott. Why is this one one which requires your authority?---I would say it required a financial delegation higher than what they had available to them.

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Yes. What was your financial delegation at the time?---I can't recall, but millions, probably.

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Yes?---I can't recall, to be honest.

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Ms Perrott and Ms Berenyi's would have been in the order of about half a million or so. Is that right?---Possibly. It may have been higher but that - - -

Yes. Your authorisation, you have probably seen it in these at times, appears there on page 141. There's no Change Advisory Board signature there. Do you know why that's the case?---I reflected on this when you sent me the document and sent me the others, I suspect - and, again, it's only supposition - that because this was about repurposing, if I use that word again, the contract and the arrangements with IBM that that's why that happened; that it actually was more a matter for the contractual arrangements with CorpTech and IBM than to do with Health change requests coming through. I mean, I'm supposing that.

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COMMISSIONER: Yes. What was the question?

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MR HORTON: Why on page 141 there's no signature there as being endorsed by the Change Advisory Board.

COMMISSIONER: Yes, thank you.

MR HORTON: Can we just turn back to the content of the - - -

COMMISSIONER: Before you do, did you notice that at the time when you signed this?---No, no, but it came - and as I think I said in my interview with you - covered with a briefing note and outlined all of those things and as we see there in the letter of the note that you were just talking about in annexure 4, the director, legal services, of the Department of Public Works has been consulted to the best of my knowledge.

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MR HORTON: Yes.

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COMMISSIONER: You didn't have that note, I thought you said?---No. There's two documents. So there's a document that is titled Without Prejudice Change Request number 184 which appears to be somebody's notes, brief notes, not a formal document. That I had not seen.

So where's the one that you had seen that said that the matter had been looked at by CorpTech's lawyers?---That's what I believe the note just said there.

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MR HORTON: It appears in annexure 4?---It was very unusual for something like this to not go through the legal team. Yes.

COMMISSIONER: I'm not sure that's a sufficient explanation in this case.

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MR HORTON: The reference I think you're pointing to, Ms MacDonald, is about the director of legal services public works having been consulted, page 116, of our bundle?---Yes. 1

COMMISSIONER: Page what?

MR HORTON: 116. It's the same document, but it's at page 116 in the bundle. 10

The Change Advisory Board was something a bit different, wasn't it, from legal services sign off?---So my - again, you'll have to seek some advice from CorpTech - understanding of the Change Advisory Board was it was a reporting structure to the project board and it was a group that was looking at the technical details of all the various requests that were coming through.

Yes. We'll get to some of the technical matters in a moment. If we just turn to the change request itself starting at page 128, we see some alterations being made on 129 about project governance in the PDO. 20

COMMISSIONER: Sorry to go back, Mr Horton.

MR HORTON: Yes.

COMMISSIONER: I'm sorry.

MR HORTON: Sorry. 30

COMMISSIONER: All that letter says is, "The director of legal services, Department of Public Works, has been consulted with the drafting of the letter," nothing more. It doesn't seek their advice on - - -?---So the letter outlines though, a whole range of requests that were being - let me just grab the letter.

But drafting the letter and giving advice on the value of the settlement or the change to the things - - -?---So the letter says, "The proposed revised change request will give rise to the following contract amendments with all other obligations remaining unchanged," and then it goes through a whole series of dot points about what will be included. 40

Yes, substantial changes. Sorry, the substantial changes, involving pretty much about the money and that note doesn't say that anyone's legal advice had been sought on the appropriateness of the agreement or the change?---I guess - - - 50

That's right, isn't it?---Sorry?

That is right, isn't it?---So the letter accompanied the change requests.

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Yes. You were told that the legal officer in Works had been asked about the drafting of the letter?---Yes.

Yes. That's a different question to giving advice on the appropriateness of the agreement itself. That's my only point. That's right, isn't it? Is that something you understood at the time?---Well, I understood that these change requests were going through legal advice.

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But did you ask? Did you satisfy yourself that this was an appropriate payment of dollars to make?---I believe I would have asked that at the time.

MR HORTON: Would you turn, Ms MacDonald, to page 130 please. These are the changes to scope.

There were some things there that were agreed to be out of scope and you've said, "The contractor has no obligation to deliver out of scope items." Do you see that there under "contract variation"?---So just read to me what you want me to look at again, sorry.

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Yes. I'm asking you about things here said to be out of scope and there were three things listed: cost allocation, balance sheet and nurses' PDE for concurrent employment? ---Yes.

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Were you aware at this time of change request 73 which had earlier been - not by you - agreed?---No.

Were you aware that it put in scope concurrent employment functionality?---No.

Could you just take us through then what was your process before authorising this change request in terms of ascertaining what was and was not out of scope?---So as I indicated, I had received briefings on this project upon commencing at Public Works. I had received information about the complexities of the project and the changing nature of change requests along the way and the project demands. I was aware that there had been a lot of change and negotiation and challenge between the three parties. I did not look at the core functionality issues to a significant degree because that was not my area of expertise.

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Did you look at the scope documents or ask for someone to give you some analysis of them?---I was talked through, and you'll see again in the briefing note, the summary of what these changes were. Each of the - when I met with Margaret - well, not the detail, the essence of what the changes were was something that I was talked through.

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What view - - -?---But the technical details are not my area of expertise.

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Sure. What views did you form about whether the scope required clarification, because I think that's one of the main purposes that this change request seeks to achieve, isn't it?---I was taking advice from the people who'd been working on the project for some time that that's in fact what was required.

Can we turn to the clarification document that begins at page 144 of the bundle, it's annexed to the change request. Which of these things at the time, in your mind, were the ones which stood out as being directed to achieving a working payroll system? The index is there at 147, if that helps?---You mean the table of contents?

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Yes?---Well, I assume all of those things are required.

Knowledge transfer strategy. Knowledge transfer, you considered them to be important?---They were important because the intention, ultimately, as I understand it, was for the work that was done on this project and the knowledge to be transferred to CorpTech staff so that they could go on and do additional work in due course.

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Why did those things need clarification?---You'll have to check with CorpTech on that.

I'm really asking you as the authorising officer on the change request, what in your mind at the time, being briefed as you were and having taken advice as you did about why and to what extent those matters needed clarification?---As I indicated, the way this project, when it was originally - this project was part of a bigger set of projects, and my understanding was that as part of this bigger set of projects IBM were originally contracted to do this payroll system and a whole series of other payroll systems. As part of the building up of this project, given it had a lot of complexities and had Workbrain et cetera all in it, there was a requirement to document what the issues were and the knowledge base, if you like, along the way, and in fact to be able to transfer that to CorpTech so that the government did not have to rely on external parties to the extent that it did as time went on. It was about building up the internal capacity of CorpTech.

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There had been change requests made before this time which you must have at least known of, if not, known the detail of, because you're agreeing change request 184. Is that correct?---This is change request 184, is it not - - -

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It is?--- - - - which you've just pointed out to me.

What I'm saying to you is: you're aware there had been other changes made in the contract?---Yes.

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I'm asking you what check you made to see what was the nature of those earlier changes?---I didn't go through every change request that had been made since the start of the project, so when I arrived I did not go through every change request. It had been a project that had been running for some time, I was relying on the advice of the technical people about what was required to go forward. This project had been one that already, even at this stage, had been subject to a whole lot of challenges and tensions and difficulties, and this process was actually about setting the path, as I was briefed, to move forward to try and eliminate some of those challenges and set a pathway forward. That's the context on which that I was reading these change requests.

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The briefing note says all outstanding issues, doesn't it? ---Yes.

It seems the aim of this change request was to put to bed for once and for all the disputes which had proved persistent with IBM?---That was the effort, that was what we were trying to do, yes.

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What was done to ensure that all the issues which were outstanding with IBM were dealt with so far as you were concerned?---I, again, as I say, I had weekly meetings with Margaret Berenyi, and through that process I was given updates on what the discussions were with IBM both in the technical side in terms of working with Health and getting, you know, the sort of technical detail, but also in terms of working through some of these governance issues and longer term issues. That said, the priority at that point was in terms of the go live, and it was always envisaged that later down the track some of these other things would be picked up.

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What do you mean "later down the track"? After change request 184?---No, through the process of implementing.

But surely it wasn't anticipated in your mind that there be picked up \$9 million worth of additional things as the project went along?---No, I don't think that's what the intent was at all. The intent was, as I understand it at that time, to reposition everybody, get things on track and try and build forward to get to the end result of getting:

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(a) a payroll system in place in Health that worked and delivered for Health; and (b) a set of information available for staff in CorpTech to then go on and deliver those things themselves. Whereas, previously it had been IBM that was going to do this roll-out because the original contract had IBM doing a whole range of things that had then be scoped back out of the project, which left CorpTech having to pick up future HR project implementations, effectively.

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Can we go, please, to statement of work 8? We can see the marked up version starts at page 170, and the highlighted parts, Ms MacDonald, are the bits which I think have been added by virtue of a clarification which this change request effects. Is there some part of these amendments that we should look to as reflecting the changes to ensure the delivery of a working payroll system?---I'm not sure what you're getting at there. That's got in there, the highlighted bits have got the bits that are taken out, and then the statement of work 5, 7, 8A, 8 and Workbrain rostering build requirements, I would have thought they're all fundamental.

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What assessment did you do to allocate, at least in your mind, at least in a rough sense, the payments which were being made to IBM in respect of it?---In relation to the schedule of payments, I was taking advice from CorpTech on what an appropriate schedule of payments might be, and they're in the letter, as you can see, outlined to Mr Doak.

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This is a change to the statement of work, but did you appreciate that underneath the statement of work there's a document called a "QHIC Scope Definition"?---Which was controlled by the project board.

Controlled by someone else but you in a direct sense?
---Yeah.

But have you ever seen that document?---The scope definitions?

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Yes?---I would have seen some of them over the course of the project.

This change request generally said to alter it and to clarify it, but the reason I'm asking you these questions is: there existed, even after change request 184, disputes about what IBM was or was not to do?---Yes, that's correct.

How did this clarify the QHIC scope definition made under SOW 8?---With the benefit of hindsight, it didn't, there were still issues being worked through and from where I sat I found it quite difficult through the course of the project to determine whether they were IBM issues or whether they were Health issues. There were a whole range

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of needs coming out and my advice or the questioning that I had is: will this lead to a payroll solution that will work for Health? If there were issues where that was in dispute, then that had to be worked through, through the course of the project.

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I want to take you up on two things, one is nowhere in this change request, it seems, can you point to specific things which you say made it certain that IBM would be forced or required, obliged to deliver a working payroll system. Is that right?---I think the processes, all of these things required, as you say, documents sitting behind them, and the expectation that I had was that those would be delivered out of CorpTech. It'd be unusual to be having those developed at a time when the contract was being signed like this.

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It might be an expectation, but I'm suggesting to you if it is an expectation it should be clarified as an expectation in these documents as part of what was to be the resolution of all outstanding issues?---So that's - I guess that's a benefit of hindsight comment and we were trying to manage through a fairly difficult project and, again, I was taking strong advice from the team that was providing the information to me, I'm not a legal expert, that these changes needed to be made.

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COMMISSIONER: No. But you were being asked to authorise a payment of \$9 million in addition to all previous payments. The contract price initially was just over \$6 million - - -?---Yes.

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- - - and you say this was to put to rest all the basis for dispute, settle all controversies, and to oblige IBM to give Queensland Health a working acceptable payroll system?---Yes.

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As Mr Horton suggests, that obligation does not appear in these documents. That's not a question of hindsight. At the time did you realise that? Did you turn your mind to it?---At the time I went through the documents, I took advice from my CorpTech colleagues. I took advice from my director-general in terms of the work that had gone with IBM up until that point and I took advice on the scoping in terms of what was required.

What advice were you given? Who gave it?---Okay. So I took advice from the general manager of CorpTech.

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Who was?---Margaret Berenyi.

What did she say about this particular point?---Well, her view, and I guess she would not have put it in front of me, was that this would allow us to get to a resolution of the Health payroll system.

Did you act upon her advice without checking for yourself it was correct?---I went through these documents myself.

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And you didn't pick up the omission Mr Horton has put to you?---No, I did not.

MR HORTON: Can I take you please, Ms MacDonald, to page 204 and to the middle of the page, it's highlighted in yellow, commence go live and then the words appearing in that next column, "Be given acceptance by the project board"?---Yes, I see that. Yes.

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This comes under the heading of Payment Milestones?
---Mm'hm.

And then a general statement there about employees being paid correctly within the agreed processing window?---Yes.

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That's relevant to the threshold which might cause IBM to be paid, but did you turn your mind at the time to whether a general obligation of that kind might be included in the contract as a contractual requirement to be made of IBM other than just for its threshold for payments?---I would have put that as part of a delivery of a working payroll system.

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But it's limited here, it seems, to the payment milestones for IBM and not cast in terms of an overarching obligation of IBM?---So going back to the contract. I haven't got the original contract in front of me.

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Yes. But it's not anywhere else, I think, in the change requests that this is not asserted as an obligation to be required of IBM?---Well, without the original contract in front of me and what the deliverables were in that, it's a bit hard for me to comment on that.

Did you have - - -?---But certainly it would have to be a payment milestone issue, but also I'd have to look at the contract.

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What did you decide about that issue in terms of whether it was a contractual obligation in the original agreement at the time you signed this change request?---Sorry?

What did you decide on that issue at the time you signed this change request whether this was already in the overarching contract?---Again, I took advice from Margaret on that.

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Yes. You didn't have a copy of the contract at the time you signed this change request?---Not at the time I signed this change request, no.

Can I ask you please to turn to page 133. At the very bottom, "At-risk payments: the parties agree that schedule 19 at-risk payments does not apply to this SOW 8 and is expressly excluded." Why was it thought appropriate to authorise that change?---I'd have to go back and have a look at that. I don't recall explicitly why that's the case. Again, I've got a gut feel that it links back to the contract.

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Yes. In the contract one can withhold, the state could withhold, 15 per cent of IBM's payments under certain circumstances, whereas this would seem to do away with that ability of the state?---Right. Well, again, the interplay between the statements of work and the contract is something that I'd have to have a look at. I don't recall that being explicitly drawn out at the time.

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Were you aware before change request 184 was signed that there had been a number of change requests in the lead up to it which were connected? By that, I mean those ones

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you've referred to in your statement 129, 174, 77 and 79?
---I was aware when I started there that there had been a
history of change requests with the project. Yes.

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Yes. But I really mean specifically the ones I've
mentioned, 129, 74, 77 and 79?---I would not have been
explicitly aware of the details of those at that time. I
would have been aware that there were change requests and
that they had all been leading to different outcomes in
terms of what Health was after.

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Wouldn't you want to see the last, few at least, change
requests if you're authorising change request number 184?
---I think the issue here is these were all very technical
documents and, again, I'm seeking advice and was relying on
advice from my general manager of CorpTech who was
intimately across these change requests.

Yes. But these change requests come to Natalie MacDonald,
associate director-general. They do not come to the
technical person head of CorpTech?---No, that's correct.
That's right.

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They come to you because you've got a financial delegation?
---Yes.

They come to you because apart from finance, there's a
contract being changed which only certain people in the
organisation have authority to do?---Yes.

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So you as the authorising officer must add something
logically that the technical people don't have?---Yes.

So the line of reporting is that you bear responsibility
for the authorisation, having all the information made
available to you through others, but that you yourself must
turn your mind to it?---Yes.

You accept that?---Yes.

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What do you do to satisfy yourself that this payment of
\$9 million, which is larger than the initial contract
price, is one which is in all the circumstances one which
is good value for money for the state?---So I went through
with CorpTech the nature of the changes that were being
requested. I spoke to the director-general.

COMMISSIONER: Who at CorpTech?---Margaret Berenyi, who
was my direct report and, I believe, James Brown as well.
He was providing a lot of the technical support on the
contractual management.

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As best you can recall, tell us what questions you asked
them and what answers they gave?---So, "What would the
changes deliver for us? Were the change requests in line
with what was expected by Health? Would this be a

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settlement of the issues? Would this provide us a way forward to get to the go live proposition for Queensland Health."

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How long did that session of question and answer take?---It probably would have been a couple of hours, from memory, through the process. We had quite extensive briefings on this reworking of where IBM was headed.

There is a note, is there, of this conversation?---There would not be a note, no.

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MR HORTON: If I can just finish please, Ms MacDonald, on the clarification document. At page 149 I'll take you to, for example - this is an example, but I can put it to you by reference to this page. You'll see a number of times on this page it being said that things shall be done, "This payroll performance validation test shall," that's the first paragraph?---Sorry, where are you? Yes, okay.

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From page 149?---Yes, yes.

We're in the middle of the scope clarification document. The first paragraph, last sentence, "This payroll performance validation test shall," the middle of the page, "detail test plan shall be developed."

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Bottom of the page, "User acceptance testing shall be replanned," and then three things, "UAT shall be updated, test plan shall be updated, completion report shall be provided." I'm just suggesting to you that this document provides, in effect the opposite of clarify, it procrastinates on the detail which is required at a relatively late stage in the project?---Nonetheless, it's my understanding that those things did occur, that there was an updated plan, there was a completion report, that's what I understand to be the scenario.

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Yes, but so did numerous other change requests?---Yep.

If one was going to resolve all outstanding issues, I'm suggesting things of this kind to be done not merely promised.

COMMISSIONER: Do you accept that or not?---I think it would have been desirable with the benefit of hindsight to see dates and actions there.

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Why is hindsight necessary to understand that point?---No, I understand the point but I guess what I'm reflecting on is those things actually did happen, to the best of my knowledge, so I'm wondering - - -

MR HORTON: You're saying they happened but you're also accepting there existed, after change request 184 was agreed, a persisting lack of clarity about scope?---And changes requested, additional changes requested to scope, yes.

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They go hand-in-hand, don't they?---Sometimes, yes.

You wouldn't agree a change request unless you thought either there's such a lack of clarity that you've got option or because you'd formed the view that the change request is good, that is, in truth they change?---Yes. Correct.

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After this change request, there are several others, as I've mentioned?---Mm'hm.

There was change request 194, you involved in it, it's not authorised by you, I should say?---What was 194 about?

It was for the correction of some severity 2 defects in the amount of \$100,000. Your name doesn't appear on it - - -? ---Right.

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- - - so I don't need to trouble you. 202 was the next one, I'd like to take you to that, please, at volume 12. Might the witness be shown it? Page 72. Under change request 184, Ms MacDonald, there was to be I think a revised go live of late 2009. Is that correct?---I can't recall the date, but that would be about right.

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So this change request 202, at page 72, note on page 73 the exit criteria for user acceptance testing 4 was not achieved by 19 October, and that the go live date for LATTICE replacement would be delayed until 2010. Isn't this the point at which one says, "IBM, you haven't met your 184 commitments and you haven't got through UAT 4, so thanks for everything but that's the end," or, "You now have to double your efforts to give us a system without extra cost to the state"?---The first option you mentioned I don't believe was an option, again, off the back of the fear that people had that LATTICE would not continue. Just saying, "That's it, it's all over, we'll start again," was not something - - -

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COMMISSIONER: Do you take the view that because of this fear, which may or may not have been well grounded, that LATTICE could collapse at any moment, that no matter what IBM proposed the state had to accept it?---No.

Then at what stage would you separate, "Enough is enough"? ---I think the question around working these issues through is that it was not always clear that it was IBM causing some of the changes, there were changes that were being requested by Health.

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Sorry, I'm interrupting, you finish?---No, that's okay. There were changes all through this that were being requested by Health, there were delays that were being caused not by IBM but by the three parties, and it wasn't clear, you know, sort of that there was always a legal recourse, if you like, to kind of work those issues through and we were trying to get a workable payroll system in place.

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That's my point. That's seems to have been your preoccupation which put everything to one side. After change request 184 had been agreed and IBM's been given an extra \$9 million, what basis was there for giving it any more money and any more time?---As I recall on this one, there were some additional changes requested by Health in this particular change request, and the other issue in relation to this was tat as I remember, again, the details are a bit difficult, but there was a deployable solution in place but Health couldn't go live until March because of the windows of go live opportunity. There are challenges there in keeping the teams together to be able to ensure that then when it did go live it could be supported appropriately.

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Certainly, Christmas and January were times, I gather, that was inappropriate to go live?---Yes.

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But change request 184, if I'm right about this, had required go live at the end of 09, before that holiday period makes things impossible. So why not insist upon that?---Sorry?

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Why not insist upon that date?---In November?

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Yes?---I think there was concerns in Queensland Health about that.

But the other point, you say, that Queensland Health raised some extra requirements. Whether that's right or not, wasn't the whole point of CR 184 and the extra \$9 million to oblige IBM for that money to provide a working and acceptable payroll system?---That's correct, but Health were actually changing their model, so they moved into a, as I understand it, centralised model and they started to move their functions around within Health which meant additional functionality was required, or different programming in terms of who had access to what information et cetera, and all of that takes programming, you know, it has to be programmed in.

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I understand that. Can you tell me, please, as precisely as you can what additional changes Queensland Health made between change request 184 and the end of 2009 that justified these further payments and this further extension of time?---As I understand it, this payment was to enable the teams that were supporting this system to stay together pending the go live in March.

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That's a different question, that's not what you said before?---Okay, and then in addition to that there was a series of change requests in Health.

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Tell us about those, please?---So my understanding is they were shifting around the way they were going to do delivery, for example - - -

What does that mean, can you be more precise, please?
---Okay. For example, my understanding, and I recall an example of this, where the system had been designed to centralise functions within Health. In LATTICE, someone in the Rockhampton Hospital could do every function, for example, they could do payroll processing, they could do leave transactions, they could do inquiries, they could do rostering, they could do all of those things. Health had decided to move to a centralised model and a specialisation model, and they wanted some things to be done in the centre and some things to be done in the regions and they were creating centres of excellence, so leave processing might be done in area X and maternity processing or rostering for this or that might be done in area Y, and they were starting to move around that model. All of that requires reprogramming.

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Of course, but are you saying that occurred after change request 184?---Yes.

That's your justification, is it, for authorising the further payments after change request 184?---My justification for authorising those is that both Health and CorpTech recommended that needed to happen to get, in their view, a workable payroll system.

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MR HORTON: Can we turn back for a moment please, Ms MacDonald, to change request 202, which was at page 72? 73, it talks about an extension of time being required, exit criteria not having been achieved. Is part of this missing which premises the basis of the change as being change requirements of Queensland Health?---Sorry, can you just ask that question again?

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Is there part of this change request which was brought about by change requirements of Queensland Health? I'm suggesting to you just on the face of the document there at page 73 it doesn't make that claim?---I think there was a briefing note that came over the top of that request, which I'm just looking for, but I can't find.

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Yes. Just turn back to page 69, Ms MacDonald. The price of that change request was 1.85 million?---Yes.

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You'll see there just below the middle of the page. There's been a delay, "Exit criteria for UAT not reached, not achieved. Desire to work together to develop a schedule," third dot point, "Customer has made some decisions"?---Yes; and additional testing that they wanted.

Yes, but what part of this change request is brought about by change requirements in Queensland Health?---That was my understanding that the additional testing was requiring additional support into Health. They were looking for extra users to be able to use the system as well, which required additional testing as well.

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Yes. It had always been a requirement though that there be those tests done, wasn't it, that, in effect, the system be scaleable and have whatever certain number of concurrent users - - -?---Up to a point, yes.

Yes. But there seems to be aspects of this change request which are simply a result of the exit criteria for user acceptance testing not being achieved?---And additional support during the testing regime that it looks like Health were after.

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Yes. But why would it be relevant in a change request that the exit criteria for UAT hasn't been achieved in terms of an excuse or a basis for payment? I ask that because it's a requirement for the system being able to enter and exit UAT in order to proceed to the next level, the next - - -? ---Yes. I'm just reading through the documentation here. So if you go to change request description, section 5 - - -

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Yes, I'll take - - -?--- - - - Queensland Health had some obligations on it to do testing within certain time periods and they've sought additional support to do their bit.

Yes. How do you assess whether the price of 1.85 million is a reasonable price for provision of that?---So as I recall, CorpTech were given costings and information in relation to the hours and cost per hour.

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Were you satisfied at the time that that support was being genuinely required by Queensland Health above and beyond what IBM's contractual commitments were?---Yes, I was.

All right. Did any part of it relate to satisfying the criteria for the exit for UAT 4?---It did to the degree that - and, again, I'm going through the documentation - Health had to do its testing to exit UAT as well. Both parties had to do the UAT.

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COMMISSIONER: Did you inquire whether the reason for the exit criteria for UAT 4 not being on time was Queensland Health's fault or because the system's testing was in fact in - - -?---Yes, I did and I worked through those issues with CorpTech.

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With whom at CorpTech?---With Margaret Berenyi.

What did she say to you?---And she advised that there were issues with Queensland Health meeting their obligations.

No, no, no, please, please. The question is whether UAT 4 didn't meet exit criteria on time because the system it was testing wasn't functioning as it was expected to or because Queensland Health's testing regime was itself unsatisfactory. What did Ms Berenyi say about that?---My understanding is it was a bit of both. So that was the advice that I was given.

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When did she give you that advice?---When?

Yes?---I met with her weekly.

All right.

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MR HORTON: Can we go forward please, Ms MacDonald, to page 228. This is change request 208. I know I'm skipping a few?---What page again, sorry?

228 of that same bundle. You were the authoriser, I think, again on this. You'll see that on page 232. Again, we don't see there at page 232 a signature from the Change Advisory Board. Had the Change Advisory Board given its endorsement, to your knowledge?---I haven't seen this document for some time so just let me read it please. So this is an extension of time change request by the look of it.

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It is, 1.55 million. Yes?---So this is to push through to March.

Yes. Again, if you just look at change request description there's no assertion there of Queensland Health adding any requirement as a reason for the delay on the face, at least, of that document?---No. This document is in relation to, again as I understand it, pushing out to a time when Queensland Health felt they could deliver.

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Deliver what?---Roll forward into the new payroll system. You have to roll on a date that actually the organisation can manage.

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Yes, but you've originally had November 2009 as the date?
---Yes.

It's been extended once?---Yes.

And you say, what, because of Queensland Health?---Well, I think there were a range of issues through that and this one by the look of it is - I'm just reading it here - is for the extension of time.

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Yes?---Sorry, I haven't seen this document for some time so I'm going through it.

Do you recall what the amount was that was to be paid in association with this change request?---No, I don't.

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Can I get you to - - -?---I think it's just an extension of time change request, isn't it? That's what it looks like.

It doesn't vary the value of payments, but it varies the timing?---That's right.

Yes. So the extension of time, but there had been several, I think, in the lead up to this which had involved the payment of money. Is that correct?---Well, the one you just talked with me about earlier, 202 - - -

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Yes, 204, 206 - - -?---So what were 204 and 206?

I don't need to trouble you with that. Can I move you forward please to 243, finally, on this change request. This is part of the change request 208 still, deliverable 44, serial number 44, see there on the left-hand side?
---Yes.

"LATTICE replacement system ready for deployment, UAT 4 exit completion report." If you look two-thirds of the way down the page on the right-hand side it's said there, "UAT 4 exit criteria has been achieved"?---Yes.

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The purpose of this change request, wasn't it, was to deem a system to have passed the exit criteria. Is that right?
---Sorry. I'm just going back to look. So was this document attached to that 208?

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Yes. And to satisfy yourself about that, you'll see at page 233 there's an appendix being the deliverables as part of that document?---Okay, thanks. Sorry, what page were we on? 1

243?---Yes.

It says, "UAT for exit criteria has been achieved"?---Yep.

That's a contractual submission that UAT exit criteria has been satisfied?---Yes. 10

If you can read above, second paragraph, "No severity 1 defects and a comprehensive management plan for severity 2, 3 and 4"?---Yes.

I want to suggest to you that's a marked change from the position which had previously existed in relation to exiting from UAT?---Right. 20

Were you aware of that at the time?---I don't recall being explicitly aware of that being a marked change at the time. I do recall, and I think I referenced it in my statement, a conversation with Ms Berenyi fairly late before go live in the piece where she had advised that the project board were going through the severity of the defects and assessing those.

But that was only possible if this contractual change was made which permitted the system to proceed with severity 2 defects, provided there was a comprehensive management plan. Before this the requirement was there be no severity 2 defects, I'm suggesting to you?---Right. 30

Are you aware of that?---I wasn't explicitly aware of that at the time.

What did you do to satisfy yourself about whether the changes which were being effected to the deliverables, and in particular serial number 44, were changes which materially affected the state's then existing entitlements?---My focus at the time of this was, again, on achieving a workable payroll solution. 40

But it wasn't something which were liable to produce a workable, accurate payroll system, was it, if you were watering down the criteria by which the system might proceed to go live?---Well, I wasn't aware that there was a watering down of the criteria, I think the management, the comprehensive management plan for severity 2, 3 and 4 defects is actually providing workarounds to things that might be of cause for concern. Clearly, severity 1 couldn't go forward so the board - I was relying on the board to be making those judgements about what was going to be workable. 50

Well, you're not because you are signing this document as the authorising officer. I want to suggest to you - - -? ---Yes, I understand that, and I actually, you know, went through these documents and those issues around what was going to work was where I had to take advice from the board, and they were working through those issues at the time.

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Maybe, but this contractual amendment has permitted a severity 2 defect to exist in the system after go live, albeit with a comprehensive management plan, whereas before a severity 2 would mean the system could not exit UAT? ---Yes.

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That is something I suggest which warranted your particular focus and your particular assessment as to whether was a prudent thing, in the circumstances, to do?---And I did talk with Ms Berenyi about the issue when she raised with me that the board were looking at severity 1, 2, 3 and 4 defects, and she did raise with me that they were looking at that and that the board were very focused on pay related defects and making sure that there were no pay related defects, and that the board were confident they could work through those other issues after go live.

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Shouldn't you have said, "My focus is on delivering a working payroll system and it doesn't look to me to be consistent with that objective, to have severity 2 errors being ones which I'm authorising as being able to exist, albeit somebody took on a comprehensive management plan going forward"?---The comprehensive management plan is the key to that.

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COMMISSIONER: There's only a need for that plan because severity 2 defects were being allowed to exist in the system?---And there were some timing issues here, and that's the issue, that the timing issues, all of those things - - -

When you say "timing issues", do you mean to get go live in March 2010 and you had to make this compromise?---That is the decision the board made, yes.

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MR HORTON: That's the evidence of Ms MacDonald.

COMMISSIONER: Thank you. Mr Wilson, I noticed you're here.

MR WILSON: Yes, Commissioner, representing Mr Price. Ms Sullivan has been here on behalf of Mr Price.

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COMMISSIONER: All right. Thank you. Yes, Mr Kent.

MR KENT: Thank you, Commissioner. Ms MacDonald, I'll just touch briefly on some of the introductory timing that you've been through with Mr Horton. You took up your role

as the associate director-general of Works in May 2009?
---That's correct. In that position the supervision of CorpTech was not your only responsibility, there were other organisations that reported to me.

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And some of them were in charge of complex projects as well?---Yes, they were.

And this project wasn't the only thing CorpTech was doing?
---No.

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You've been through and you describe in the statement the way in which you were briefed then as to the current status of the project, as you set out there were a number of challenges, as you understood it - - -?---Yes.

- - - having received those briefings?---Yes, there were a significant number of challenges.

You summarise them as being, as you perceived it, the contract as it stood presented difficulties in measuring the performance and delivery that IBM were giving?---Yes.

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As you've also been through, there were problems with the tri-partied relationship both with IBM and Queensland Health?---Yeah.

Are you telling us that you received some indication of changing business requirements from time to time?---Mm'hm.

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I think Mr Commissioner has asked you about some of the details of those, but are you saying there was some both before and after change request 184?---Yes. I mean, certainly on my arrival I was briefed by Margaret Berenyi that there had been a number of changes that Health were wanting to make, and they continued to happen after 184.

When dealing with your decision to sign change request 184, you'd been through it with Mr Horton today that you also set out relevant factors in paragraph 23 of your statement. Correct?---Yes.

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Can I just ask you about your interactions with Mr Grierson? You kept him aware of events as they were unfolding?---Yes.

How often did you meet with him?---I met with him once a week.

I think you've already told us you had weekly briefings from Ms Berenyi?---Yes, I did.

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James Brown as well at times?---Yes. So James came along when there were issues of particular contractual import.

All right. Did you understand it to be he and his team that were dealing with the management of the contract in a hands-on sense?---Yes.

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Did you ever meet with any of his subordinates - - -?---No.

- - - such as Beeston, any of those people?---No.

The information that you got from your weekly briefings with Ms Berenyi and others, did you pass that up the line to Mr Grierson?---Yes, I did.

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Were you attempting to keep both yourself and your superior up to date with how the project was going?---Yes, I was.

You were asked some questions which do touch on the testing and results of the testing. Were those dealt with in a hands-on sense by, firstly, the project directorate and above the directorate, the project board?---Yes, they were.

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You weren't on the board yourself - - -?---No.

- - - as I understand it?---No.

Was Ms Berenyi, to your understand?---Yes, she was.

All right. You've been asked some questions about the project getting to a stage where it was proceeding towards go live possibly with severity 2 defects with workarounds or a management plan in place for them. Do you recall having discussions about that topic in particular with Ms Berenyi or other board members?---Not other board members. I recall Margaret raising with me in one of her weekly meetings that the board were going through a process to review defects and with a high - well, a must priority on pay related defects, so any defect that affected someone's pay, and they were looking at management plans for other defects.

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You've said it a couple of times, I think, but was the potential failure of LATTICE a big factor as you understood the consideration?---As I understood the consideration, yes. 1

I'll just ask you, you do mention in your statement towards the end, you had some meetings with an IBM representative, Mr Doak - - -?---Yes.

- - - on, you think, two or three occasions?---Yes. 10

Is that right?---Yes.

When you met with Mr Doak was Ms Berenyi present?---Yes, she was.

Were those meetings with Mr Doak brought about because Mr Grierson wasn't available to meet with him at that time? ---I don't recall that being the case. I recall meeting with Mr Doak or on occasion being asked by Ms Berenyi to meet with Mr Doak to stress the importance of IBM putting the right amount of resourcing into the project to get things resolved. 20

COMMISSIONER: Can you recall if you met him after change request 184 had been agreed?---Well, change 184 request was agreed very early in my term in Public Works so, yes, I would have met him after that.

So you think you would. Can you recall ever speaking to Mr Doak about what you understood, anyway, the effect of change request 184 was?---No. 30

Was there some reason why you didn't raise that with him? ---I don't believe I met with Mr Doak before change request - - -

No, no, afterwards?---Afterwards?

After change request 184 was agreed?---In terms of delivery? 40

Yes?---Yes, yes. I had those discussions with Mr Doak. It wasn't specifically referencing 184.

All right?---I mean, we were really worried about this project. I was worried about this project.

I understand that. Can you recall what Mr Doak said, not with reference particularly to 184 perhaps, but to the project being likely to meet its destiny to the - - -?---So Mr Doak raised issues with me in those meetings about - these are my words not his - his frustrations with the requirements changing, in his view the requirements changing, and that in his view that was causing some of the delays. 50

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Some of the delays? So did he accept that IBM was also responsible for delays?---Certainly, when I first met with him - I'm just trying to think of the right wording - he was aware that in the early stages of the project IBM had perhaps not put as many resources into this as they might have done.

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That's all he said?---He probably didn't say those words but the - - -

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That's what the effect of it - - -?---That's what I took him to be saying.

Yes, all right. You understood, of course, or I assume, that Mr Doak would have an interest in putting the blame on Queensland Health for delays?---Yes, yes.

Because, no doubt, Queensland Health - - -?---Well, I think all parties were in this very difficult, you know - - -

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And Queensland Health, no doubt, have an interest in saying IBM is being - - -?---Yes, yes and both saying CorpTech or - you know, it was a very difficult relationship.

All right, but 184, change request 184, was meant to, as we said, settle all those controversies?---Yes.

When you spoke to Mr Doak after that time, did he say anything to you which indicated that he accepted IBM's obligation then, "Let's just get ahead and do the job and finish it without delay and without further payment"?---He certainly in that early period when I was at Works was indicating that they were doing that and it appeared to me that the resourcing had been increased substantially by IBM.

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All right.

MR KENT: I think you've said this is after change request 184, so the second half of 2009?---Yes.

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That is in a chronological sense getting towards the end of the project. Correct?---It would have been, yes.

These two or three meetings that you had with Mr Doak, did you on each occasion raise the topic of sufficient IBM resources being made available?---I believe so, yes. I mean, that was the intent of the meeting.

So that remained a continuing concern of yours, of the information you were getting, even at that stage?---Yes. We wanted this project completed.

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Are you aware of whether more resources were deployed?---It was my impression that more resources were employed, but I

was forming that impression from the briefings I was getting from Margaret Berenyi and I was, as part of those briefings, getting information on how user acceptance testing was going or how, you know, past rates of things - so in the odd briefing note, there would be statistics of, you know, "This 86 per cent of these tests passed," and those sorts of things so there was information coming through that suggested progress.

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By progress you mean not only that the project as a whole was proceeding, but part of the defects that might have existed were being addressed?---Yes.

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Correct?---That's what I was being briefed on.

All right. Now you have told us about this concern about IBM resourcing and you've told us about occasional, to some extent at least, changing requirements from Queensland Health?---Yes.

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Correct?---Yes.

Other than those qualifications, did the parties appear to you to be trying to work cooperatively to try and finish the project?---They did appear to me to be doing that.

But there were the tensions in these relationships that you're talking about?---There were tensions in the relationship and it was a complex relationship, but they did appear to me to be trying to work those through.

30

I think Mr Commissioner may have asked you a question about the progress of things after change request 184 and whether or not you could have gone live or the project could have gone live at the original date planned at that stage, which was the end of 2009?---Yes.

COMMISSIONER: No, I didn't. I suggested that that being the agreement, there's no obligation to pay a further sum because it didn't.

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MR KENT: Yes.

So in relation to go live decisions and whether they were feasible, did recommendations come from the directorate to the board and then to you?---Yes.

Is that right?---Yes. I mean, it was the board's decision to go live.

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Right?---You know, it wasn't my decision, you know - if they were comfortable with the go live date, that's the date they set.

Did you have to be included in that then?---No.

Were you informed of their decision?---I was informed of their decisions and it was their decision. 1

So you were informed after the event, I suppose?---Well, not after the event in that they had made the decision that this would be the date and then - yes, and then I was informed that that would be the date.

In a sort of management sense, once you're receiving that feedback - - -?---Yes. 10

- - - did you pass that on to Mr Grierson as well?---Yes.

I suppose I'm merely asking did you constantly keep Mr Grierson updated about this project at the time?---Yes, yes, I did; yes.

Was this project the biggest kind of problem that you had at the time?---It was one of a number of big projects that were whole of government projects that were running. The others were not in CorpTech. They were in other parts of my area, but it was only one. 20

Did the others have the same degree of problems that this one had?---They had different sets of issues, but anything that's whole of government in that time that requires a number of different government agencies and working with suppliers has a degree of complexity in it and challenges. 30

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All right. And this one - perhaps during your time, technically I'm not sure it was - I think you've already told us it kind of scaled down from being IBM working on the whole government project down to being the Queensland Health interim payroll solution?---Yes.

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I think that may have finally been signed off during your time?---Yes, well that was 184 effectively.

Decided prior to your time?---Yes.

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Correct?---Yes, that's correct.

When that happened, did you notice an improvement in performance, was there a difference in the way that IBM was approaching it?---I hadn't had any exposure to IBM prior to that agreement sort of having already been in place, so those decisions had been made. I hadn't dealt with IBM at all prior to that point.

20

So you can't - - -?---Prior to me arriving, so I don't know. My impression from having had discussions with Mr Grierson is that - because he was involved in all of that discussion - is that they were working to do the Health project but they would like to have still been doing all of it.

You've been asked a series of questions by Mr Horton about this gap in the documentation about not requiring from IBM a working Health payroll solution. Taking that into account and the other evidence that you've given, if you reflect back now do you think there's other things you could have done in discharge of your duties?---I think, as I indicated, it was one among a number of projects that I was trying to, firstly, get a handle on, on arrival, and then, second, manage through to what I would have like to have had, is a productive outcome for the government. So it was one of a number of projects. I certainly gave it as much management time as I could under the circumstances and given the other responsibilities that I had, and so I guess, you know, that's the issue from my point of view. I was not a technical expert, I was not a legal expert, I did have to apply my own judgement to things but also rely on the advice of people that were working on this in much more detail than I.

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Yes, no further questions, thank you.

COMMISSIONER: Ms MacDonald, can I just ask you again about the conversations you had with Mr Doak?---Yes.

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As Mr Horton's established, after change request 184 was signed there was one other at least which involved the payment of a reasonably substantial amount of money to IBM of \$1.85 million?---Yes.

Can you recall if you spoke to Mr Doak after that change request?---I don't recall. 1

You can't recall discussing it with him?---I don't recall discussing it with him, no.

All right. Thank you. Mr Traves?

MR TRAVES: Thank you, Commissioner. Ms MacDonald, I just wanted to ask you some questions about change request 184? ---Yep. 10

You've said to the commission that you had a meeting with Ms Berenyi at about that time?---Yes.

Commonsense suggests that you would have spoken with her about the issue of whether CorpTech had a choice, effectively, but whether or not to agree to the change request. Did that occur, was there a conversation like that?---Yes, I do recall having a conversation along those lines, and going through I detail what was in the change request an working those issues through. The context of that change request is that there'd been a whole series of preceding meetings with IBM, including with the director-general, rescoping how the whole thing was going to work. I guess my judgement was that 184 had been effectively worked through fairly substantially to that point. 20

Was there a sense, do you think, at that time that the governance of the project had become so confused, if you like, or so difficult that it was very difficult indeed at that point in time for CorpTech to take a strong contractual stance, was that your impression?---That was my impression. 30

In effect, the governance which preceded your arrival had so compromised the project that by the time change request 184 came around it was a very, very difficult thing for CorpTech to say no, effectively?---I probably didn't think about it in such strong terms as you've put them, but certainly it was my impression that it had been contractually extremely difficult from the start and continued to be that way right through. 40

And the water had become so muddy, the legal position so difficult to say one way or the other that in fact it was difficult at that point for CorpTech, as you understood it, to take a position other than the one it took?---That would be my impression, yes. 50

Did you say that you did or did not at that point take legal advice?---I believe the advice came through. I believe that the advice that came through to me was seen by our lawyers in Public Works.

Did you see legal advice?---What would normally happen is they would review the change requests, so it wouldn't come with a separate piece of legal advice. 1

Do you recall seeing legal advice?---On 184?

Yes?---No, I don't recall seeing a piece of legal advice.

Did you speak with anyone about legal advice on 184?---I believe I spoke with James Brown and Ms Berenyi about that. 10

Did they refer to a document or a written advice of any sort?---I don't recall them doing so, but James in particular, through the time that I was working on this project, was very, very strong on seeking advice from our legal area and in some cases external as well.

Was there a reference to it, were you told anything about the content of the legal advice?---No. 20

What was the attitude of the department in a broader sense, and I suppose I'm talking about Mr Grierson, in terms of getting the project done as opposed to, at that point of time, standing in the way of the progress by taking a controversial or obstructionist stance to the change request?---There was very strong advice - "advice" is perhaps not the right word - but very strong desire for the Queensland Health payroll system to be implemented. 30

It's fair to say that change request - - - 30

COMMISSIONER: Sorry, Mr Traves. Can you clarify who held that view, how wide spread it was?---So when I commenced I was briefed by Mr Grierson about a whole range of things, but this project among others, and because, as I understood it, he had been through a very extensive process with IBM which I think he personally had led, I think, you need to check with him on that. He certainly expressed to me a strong view that we needed to get this project implemented. 40

MR TRAVES: Because change request 184 constituted a very, very significant increase in the cost of the project?
---Yes.

At that point of time, CorpTech and IBM were of course the contracting parties. On one view, CorpTech's management of the contract at that point in time had, you understood, perhaps compromised the ability for CorpTech subsequently to oppose a change request?---I think the waters were very muddy around what was originally requested, whether there'd been enough detail in what was originally requested, the statement of works, as I had been briefed, had not been attached to the original contract and therefore was perpetually the subject of dispute between the parties. It certainly didn't appear to be a strong position to be in. 50

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It's fair, is it not, albeit with hindsight to say at that point in time you understood that CorpTech's conduct in its control of the contract had arguable, at least, compromised its position to take a stronger stance in respect of change request 184?---I don't know if I saw it in quite those terms, but I certainly was aware that there had been issues almost from the start of entering into the contract and that, that was making it harder to form views and - well, not to form views, it's relatively easy to form a view - but to manage through.

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And indeed to oppose what IBM was proposing or requesting? ---Potentially, that's right.

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And Queensland Health, through QHEST, its position, too, in some ways made life difficult because on one very sensible view at that point in time, it had not during the history of the project adequately defined its requirements?---That's correct.

1

So the entities from which you were taking advice were both at that point in time, to your knowledge, probably compromised?---I'm not sure about compromise. I certainly think the past had led to a compromised position, if you like. What I saw was, particularly in Ms Berenyi and Mr Brown, who were the main people I was dealing with through CorpTech, were trying to rectify and put in place more stringent arrangements around the go forward position, but certainly the original contract had, as I was being briefed, really made it difficult.

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And then in a broader sense, the Department of Public Works had been compromised because after a considerable period of time, the LATTICE replacement had not occurred that the contractual position of CorpTech was difficult and, no doubt, did you sense from Mr Grierson there was a concern that the difficulties with the administration of the contract might become a matter of public knowledge?---I don't recall the facts of them becoming a matter for public knowledge necessarily being a driving factor, but certainly trying to find ways to manage this thing was a matter of significant concern.

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And may I suggest, respectfully, manage in a political sense?---Well, obviously, you know, the DG needs to manage things from a ministerial point of view, briefing ministers, et cetera, but it was - yes, there was a lot of scrutiny on this project.

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And hence, can I suggest, the ease with which change requests were acceded to, from and including change request 184?---I guess I wouldn't say the ease with which they were accepted. I think there was a lot of scrutiny on them, you know, obviously there could have been more, but there was a lot of scrutiny on them and there was a lot of scrutiny on the performance of IBM and CorpTech from my point of view. I was looking at what was happening and trying to get everybody focused on how we could move this thing forward.

40

But ultimately in the context of the history of the project and the political dimensions we've spoken of, it was almost inevitable that the change requests would be agreed?---I don't know about that.

50

Do your best?---There was certainly a desire to see this project completed and IBM would have been aware of that as well.

You've said that a number of times that it was a real priority to have the thing completed?---Yes, yes. 1

Can I suggest that the history of the project, the political dimension that we've spoken about, really did make it much more likely that change requests would be acceded to rather than opposed in a public way?---Yes, that's possibly true when you put it that way.

What were you being asked to do or told to do by Mr Grierson?---I was being asked to get the project complete. 10

Go on?---So that was one of the things that I had to do in Works.

But you put your name to a very, very significant increase in the amount payable to IBM?---Yes.

You've taken responsibility thus far for that. It's your name on the document. What were you told by Mr Grierson about that?---So I was, as I said, briefed when I arrived by Mr Grierson on the history as he knew it of the project and the challenges in the project. He had been engaged and I was informed by him that he'd been engaged in discussions with IBM to get this project repurposed - is the word I used earlier and I guess I'll use it again - and my strong impression in arriving and having 184 in front of me was that that was the agreement that had been reached with IBM and that's what I had been briefed by Margaret. 20 30

Did you have a discussion with Mr Grierson about change request 184?---Well, you can see some material went through to him seeking his approval to proceed with 184 and approving me to send a letter to Mr Doak.

Did you discuss change request 184 with him?---Yes, I believe I did and I believe there was actually - from recollections - a briefing with him with Ms Berenyi and Mr Brown going through 184. 40

And he approved your signing of 184?---I believe that to be the case, yes.

Was any of that, to your knowledge, motivated by desire to handle the politics of the situation?---I couldn't answer that, but certainly motivated by desire to move the project along.

And Mr Grierson's position? Does it motivate his position, to your knowledge?---I don't know. 50

He never said anything to you like, "This has really got to go ahead. It's become unmanageable," or words to that effect?---Well, he certainly had conversations with me as I

would brief him on the weekly meetings around, you know, "This had been delayed," or, "We were having trouble with X," or, "We've got another request from Health on Y," and I briefed him weekly on those matters and he certainly expressed frustration around some of the progress.

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It's a legitimate interest about to what extent increases in payments to, in this case IBM, ought be agreed to where, at least on one view, to do so is to hide or move beyond governance of an expensive project which has been badly handled?---Is that a question?

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COMMISSIONER: Yes. Could you put it again? I'm not quite sure I followed it.

MR TRAVES: Yes?---I'm not quite sure what - sorry, I just wasn't sure.

No. I'm suggesting to you this that there was a political dimension to the decision to approve change request 184 which went a bit like this: it's easier and better and less likely to cause public controversy to approve an increase in the price than to permit to become public the mismanagement of the contract?---I didn't read it that way at the time, I guess. My reading of things at the time was that it was becoming clear that a \$6 million six-month contract to deliver a payroll system in Health was a gross underestimate of what it would actually and should actually have taken to implement a very big payroll and roster system in a very big and complex organisation and so the way it was described to me when I came in was that this is - you know, that was the basis on which it was working and it was an underestimate and it had to be reworked to be more realistic.

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If I can take you back, I think you started in May 2009?
---Yes.

Was there any doubt from that point onwards that the strong preference was to continue with IBM as the contracting party and, in effect, that was the way it was always going to be from that time on?---Again, I don't recall it being put to me in those terms, but my impression, given that there had been a due diligence undertaken of the project by Mr Grierson and Robin Turbit, I think, who was the head of the corporate area in Public Works at the time, and a decision made at that point to stop some parts of the project, but keep going with the Health bit. You know, in effect, if you were going to pull out of IBM, that would have been the point at which you'd done it, you know, through that due diligence project, I think. Once we got to that point, it was so far in that you had to actually keep going almost because you didn't have time to rebuild something else.

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Yes?---So that's, I guess, the context from which I was proceeding.

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It's fair to say, is it not, that from at least mid 2009 through to the go live that Mr Grierson was, to your knowledge, well aware of problems between the contracting parties - - -?---Yes.

- - - and attempting to allocate fault finding or - - -? ---Yes, yes, he was.

10

- - - CorpTech, but there were real problems with the project?---Yes, he was aware of that.

That there were risks with the project going live?---Yes, he would have been aware of the risks, although I don't - I mean, I certainly wasn't aware of the kinds of risks that ultimately ended up emerging, but he certainly was aware of risks as were - - -

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But nevertheless that point, the project having proceeded so far, there was a very strong determination to continue with IBM?---Yes.

Yes, thank you, commissioner.

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THE COMMISSIONER: Yes. Mr Ambrose?

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MR AMBROSE: Just on that last point; can you help us understand what your understanding was of the risks that you were being made aware about go live?---At go live?

What sort of risks were you aware of?---So I was aware of the severity 2 issues and the workarounds because I had been briefed by Ms Berenyi that the project board had gone into, you know, looking at the severity issues and I was aware - - -

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I don't understand what that means?---Okay. So there were a series of project risks that had been identified by the project board and they had to develop to their satisfaction ultimately if function X could not have been implemented by go live, what were the manual workaround processes that would be in place to still ensure that that function could get done until such time as the system functionality could be built. So there were some issues there - - -

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By "project risks", do you mean defects?---Yes, defects; yes.

Okay?---Yes.

So you were aware that there were still some defects? ---Yes.

But that - did you know what they were, what those defects were?---No, I did not know what they were.

30

Did you believe that they had all been identified?---Well, I believed that they had been identified by the project board, yes.

All right. So were you, for example, aware that there might be other defects that hadn't been predicted that would occur post go live?---Well, I wasn't a systems expert at that point but my experience even in - well, I'm not a systems expert now but certainly in Housing, even in any system go live, there are always defects that emerge after go live, always. You know, they then need to be rectified and scaled and assessed and prioritized.

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So if I understand you correctly, the risks that you were aware of was that there might be defects after go live, some of which had been identified, some of which have not been identified - - -?---Yes.

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Were you aware of the number of possible defects post go live?---I do recall I think in one of the briefings that Margaret gave me, Ms Berenyi gave me of something in the order of 100 defects or something like that which in a system that size did not appear to me to be unusual, it does happen.

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And then following on from that, you were aware of certain defects that were likely to occur post go live but that they were capable of being managed?---That is the advice that I was given, yes. 1

All right?---And I was also shown a copy of the external assurance auditors advice to the project board that they could be managed as well.

Thank you. 10

THE COMMISSIONER: Mr Wilson?

MR WILSON: No questions for the witness.

THE COMMISSIONER: Thank you. Mr Doyle?

MR DOYLE: Thank you.

Ms McDonald, when you started in your role, did you have available to you a copy of the contract?---Yes, I did. 20

Did you read it?---Not in detail, no.

Right. Did you have available to you a copy of the QHIC scope definition?---I don't recall. I don't recall.

Have you seen one recently or should I show you one now? ---Well, I've got one attached to one of the docs here but - well, I did have but you might want to show me one if you want to refer to it specifically. 30

Well, I will see how I go. You know that such a document existed?---Yes.

Do you recall if you read it when you started in your role? ---I don't recall but I did read a huge amount of information when I first started. I got a folder about this thick on QHIC. 40

Volume 4, I will ask you to be shown. 63 please, if you can go to that. It commences at that page. Just have a flick through and see if you can remember if you saw and read that back in 2009.

THE COMMISSIONER: Mr Doyle, can you keep your voice up, please?

MR DOYLE: I will do my best, thank you. 50

THE COMMISSIONER: I understand the difficulty?---I don't remember seeing that. I may have done. I did - I certainly got a very big swag of information from CorpTech when I started.

MR DOYLE: Would you mind turning please to page 80. Can you see there is a list of assumptions?---Yes. 1

Tell me, please, if you can recall reading those back in 2009 at all, really, until go live?---I don't recall seeing this in its form but I believe I have seen those assumptions before.

Right. That might help me. Even if you didn't read them, you would anticipate that people who were advising you must have had regard - - -?---Absolutely. 10

- - - to the QHIC scope document - - -?---Yes.

- - - and the assumptions that it expresses - - -?---Yes.

- - - and indeed whatever narrative it contains which identifies what it is that is being performed by IBM? ---Yes, yes. 20

You had hoped at least that they would have had regard to that in whatever advice they gave you?---Yes.

Can you help me with this please; you know as well that there are a whole series of more detailed documents apart from the QHIC scope document which describe the work to be performed by IBM?---Yes.

Which have been subject to review and approval by CorpTech?---Mm. 30

Yes?---Yes.

Is it the sort of thing you are likely or unlikely to have looked at?---Those lower-level documents, unlikely to have looked at.

But again, you would hope at least that the people who were responsible within CorpTech for reviewing the performance of IBM and the scope of the things that IBM had to do must have had regard to?---Absolutely, and on occasion when matters were being discussed, Mr Brown in particular, James Brown, would make reference to documents and project scopes in the discussion. 40

And drawing on your experience of these things, that would be an essential step in identifying what it is has been promised to be performed and what CorpTech can expect to be performed?---Yes. 50

Would you turn back in the same volume, please, to page 39. In fact, I will ask you to turn first to page 15 and you will see that that is the start of statement of work 8? ---Yes.

Now, you know that subsequently there was a revised version of that but this is the one that I want to take you to? 1
---Mm'hm.

If you turn then to page 39, can you tell me please if back in 2009 and up to go live in 2010, you can recall if you read those assumptions?---I believe I have seen those, yes.

Okay. Do you recall when?---It would have been - at the time when there were variations to 184. 10

Okay. So in the course of the dealings leading to the signing of 184, should we understand that it is likely you had a look at these?---I believe I did see and had attached the original statement of work 8, I believe.

Okay, good?---But I'm - you know, it's a bit hard to remember when I saw things.

It doesn't matter. The fact that you saw them is enough. 20
Would you look, please, at the heading LATTICE replacement and to assumption 4?---Yes.

Where one of the assumptions is our definition of scope and WRICEEF estimates are accepted?---Yes.

I take it you know what a WRICEEF estimate is?---Just trying to refresh my memory on WRICEEF.

Not the figure but what a WRICEEF is?---You will have to remind me of the acronym. 30

Okay. I will have to remind myself.

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COMMISSIONER: We're all waiting for that.

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MR DOYLE: I beg your pardon?

COMMISSIONER: We're all waiting.

MR DOYLE: So am I, as is perhaps obvious. Reports, forms, interfaces, data migration and enhancements?---Yes.

Perhaps I've gone a bit too far?---Yep.

10

It describes the level of, can I put it this way, complexity in functionality which is to be scoped to be built?---Yep.

One of the important assumptions that's articulated here is that IBM's definition of scope and its RICEF estimates are accepted. Can you help me, please, did you look at, back in 2009 or up to go live, what IBM's RICEF estimate was that was behind statement of work 8?---I didn't look in detail, no, but certainly I guess the briefings that I was getting were that there were variances in what the parties from the state wanted.

20

Again, without going into any detail, you became aware that what was ultimately being asked for by CorpTech or Queensland Health involved a higher RICEF requirement than - - -?---Yes.

- - - which was estimated?---Yes.

30

Do you recall by what order of magnitude?---I don't recall.

Many multiples?---My impression is that's the case.

Still on that page of assumptions, would you look at the pricing assumption towards the bottom of the page, pricing assumption 4, which says that, "Prices based on the assumption that the existing Department of Housing, SAP HR payroll solution includes the functionality expected to deliver the minimum Queensland Health requirement." Did you see that back in 2009?---Yes.

40

And you would expect those who were advising you to have regard to the significance of that assumption in defining what was included in the - - -?---It was one of the very first things that was raised with me when I started at Public Works.

Thank you. At Public Works?---Yes.

50

So one of the first things that was raised was the identification of reliance upon the Department of Housing payroll solution - - -?---Yes.

- - - as described in the minimum functionality for Queensland Health?---Yes. **1**

Who raised that with you?---I believe that was CorpTech, Margaret Berenyi.

So there's no doubt that was something of which CorpTech was aware?---No doubt.

Thank you. Did you have occasion when you started in the job or indeed any time up to go live to have regard to the ITO response which had been submitted by IBM?---No. **10**

Thank you. I think you tell us in your statement, and you've said today, that Queensland Health did from time to time alter their requirements?---Yes, that is what I was informed by CorpTech.

And you knew that was the position before you had started with the Department of Works?---No, I really was not conscious of this project before I started with Public Works. **20**

I put my question badly. When you started at Public Works one of the things that you were told is that in the past Queensland Health had been altering their requirements? ---Yes.

And your own experience after you started is that Queensland Health had been altering and continued to alter its requirements?---Yes. **30**

Thank you. We'll come to some detail of that in a moment. There was, as you know, a provision in the contract for the effecting of variations to it - - -?---Yes.

- - - the change requests?---Yes.

And we've seen a few of those today, and there were quite a few, weren't there?---Yes, there were. **40**

We've seen up to, I think, 208 in a project that ran from December 07 to March 2010. That's so?---Yes.

The process was one by which either party, or any party, could initiate the change request?---Yes, that was my understanding.

Indeed, if we look at change request 184 we see it was initiated by CorpTech. That's so, isn't it?---I believe so, yes. **50**

We'll come to that. And that it would be the subject of discussion and negotiation between the parties, review within CorpTech, review within Queensland Health at various levels leading to its ultimate approval?---Yes.

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It is your understanding that was the process which was applied for each of the change requests that were implemented whilst you were at the Department of Works. Is that right?---That's my understanding, yes.

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Can we move to change request 184, and for that I'll ask you to go to volume 9, at page 128?---Sorry, which page?

128. Ms MacDonald, can you help me with this: you know, don't you, that there were negotiations in relation to a whole series of issues which were commenced by at least early 2009 in which were intended to be rolled up in and resolved by change request 184?---That was my understanding.

10

The process of the approvals that I've just talked to you about, going through various approvals, is to your recollection a process that was or was not followed for change request 184?---Well, I believe it was. The only issue, I think, in this was - again, I'd need to seek some advice from Ms Berenyi - the degree of involvement from Health. I just can't answer that question at the moment.

20

Nevermind. With that qualification, the process of its preparation, in this case you can see it's initiated by Mr Campbell. It's on page 128?---Yep.

He's a CorpTech employee, isn't he?---Mm'hm.

The process was for its preparation, go through some internal process for approval and in this case ultimately make its way to you for approval?---Yes.

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It resolves, or at least it deals with, a number of issues which you knew were the subject of negotiation prior to it being executed?---Yes.

Can I just ask you to turn, please, to page 130. You should have a section headed "Contract Variation"?---Yes.

40

The form of this document, with which you're no doubt familiar, is to insert in the contract some changes, and in some cases to delete things which are in the contract and to insert substitute provisions?---Yes.

Your understanding of the process is that whatever had been negotiated between the parties, this was to articulate in a binding form the agreement which had been ultimately reached?---That's my understanding.

50

The first thing that my learned friend, Mr Horton, took you to on that page was concerned with an agreement that certain issues were out of scope, and one of them is concurrent employment?---Yes.

I think you were asked whether you were familiar with change request 73. Do you recall that?---I do remember being asked, yes.

1

You recall the question anyway?---I don't (indistinct) but I do recall being asked the question.

The suggestion I think put to you was that it had, itself, dealt with concurrent employment?---Yes.

10

Can you help us? Am I wasting my time to ask you about the detail of that or not?---You probably are wasting your time.

I'll give it a go though?---I'll give it a go.

You should have said, "I was definitely wasting"?---Why not.

I want to suggest to you that change request 73 was concerned with aspects of concurrent employment requiring change to the SAP and Workbrain components and not to the finance implementation or integration components?---Mm'hm.

20

That what is being made clear here arising out of the negotiations which preceded it, was that, that latter thing, that is, the concurrent employment aspects of finance, were out of scope. Does that ring any bells? ---Not really, no.

30

There was in fact a proposal that these three items could be dealt with by IBM but for an additional payment of \$ 6.9 million. Do you recall that?---I do recall some discussion about additional items, indeed.

And that was rejected?---Yes.

Thank you. But then it goes on, putting that aside, "In all other respects, the scope of the LATTICE interim replacement solution remains unchanged and comprises certain things." Do you see that?---Yep.

40

What it comprises, as you know, are those articulations of the contractual requirements as they have been agreed between the respective parties?---Yes.

50

And then goes on to make some changes to those in this document. Do you see that?---Yes. 1

I want really to deal with the proposition that's implicit in what's put to you that somehow or other this change request was to resolve not only all disputes, but really everything for the future. You know that's not the position, don't you?---It certainly didn't turn out to be the position. It was trying, as I understand it, to clarify a whole series of issues which up until that point had been matters of dispute between the parties. 10

Thank you. To having identified where the parties had disputed to that point to deal with them by agreeing or disagreeing, as the case may be, in this document?---Yes.

Thank you. You know, don't you, that very shortly after that in fact there were changes required by Queensland Health, including particularly the change of the model to which you referred moving from a hubbed model to a centralised model or perhaps the other way around?---I can't remember which way it went. 20

A change to the model?---But the model did change.

That occurred very shortly after the execution of this change request?---Certainly, the discussions started occurring, you know, as I understand it after that time.

That will do. It would have been possible, can I suggest to you, for IBM to say, "No, we're not going to do that"? ---Yes, it would have been possible for IBM - - - 30

But in fact Queensland Health was asking for that change to be effected. Yes?---Yes.

And work was required to comply with that request?---Yes.

It would have affected the progress of the build of the solution. You agree with me?---Timewise? 40

Time?---Yes.

And effort?---Yes.

And it would have required the retesting of the system? ---Yes.

It would have impacted upon the drafting of the test scripts?---It would. Any change would do that. 50

Thank you. So that whatever had already been done in order to accommodate Queensland Health's request for this change of model would have to effectively be redone?---Yes.

And that would have affected the go live date which was contained in change request 184, or may have at least?
---May have, yes.

1

Thank you. You've also been taken to some other change requests that were approved under your stewardship after change request 184?---Yes.

I want to take you to those. The first of them that you were taken to in fact is change request 194 which is in the same volume you have there at page 84. Do you have that?
---Yes, I've got that.

10

I'm really showing you this to identify that notwithstanding it comes 10 after 184, it in fact predates 184?---Mm.

That's so, isn't it? If you go to page 86 you'll see that and 87. I haven't asked you a question, but you can note that?---No.

20

I want to go to those which do in fact postdate 184?
---Right.

Can I ask you to go to volume 12 please to page 72.

COMMISSIONER: Page 70?

MR DOYLE: 72.

30

Do you have change request 202?---Yes.

If you go to page 73 under the change request description. I would like you to read the third paragraph?---"The customer has decided - - -"

Yes. Just read that to yourself?---Okay. All right.

It's your recollection that Queensland Health requested that the go live take place in 2010 because of its own internal business requirements, if I can put it that way?
---I believe that to be the case. Yes.

40

Nonetheless, it had asked for it to be put off to 2010?
---Yes, yes.

And then in the last paragraph under that heading, "Customer has requested IBM provide resources" et cetera?
---Yes.

50

Apart from reading that, do you recall the detail of this change request?---Not particularly.

All right?---I recall it being linked to the delay in go live.

Your recollection is that Queensland Health - when it says "customer" is that a reference there to Queensland Health?
---I believe that to be the case, yes.

1

Very good. Someone, either Queensland Health or CorpTech, had asked IBM to provide some extra resources?---Yes.

That was the justification as you know it for this change request?---Yes.

10

Yes. And resources means people?---That's right.

Thank you. It certainly wasn't part of change request 184 to compel IBM to give whatever resources the customer or CorpTech may ask for after 30 June 2009?---No, no.

If you would turn next to page 135, change request 204. You'll see in the brief description, "Provision by IBM to the customer, the senior business analyst"?---Yes.

20

"To assist with requirements gathering, the various Queensland Health EBA's"?---Yes.

And an EBA is?---Enterprise bargaining agreement.

Thank you. If you turn to the next page, 136, under the change request descriptions, and read that to yourself?
---Yes.

Again, this identifies a decision by Queensland Health to do something that previously it had decided to postpone and in connection with that it asked for some more resources from IBM which it, IBM, agreed to provide?---Yes.

30

Again, it was no part of 184 to compel this kind of thing to be done?---No.

Except pursuant to a change request?---If it's a legitimate change.

40

Thank you. Would you turn to page 221. You should have change request 206. If you turn to page 222, again under the change request description, just read that to yourself, it repeats some of what you have just read. Do you see there that it identifies that Queensland Health had identified 12-year requirements to be incorporated into the solution?---Yes.

I'm not asking if you can remember the detail of that now, but that wouldn't have appeared here unless it was true, I take it?---I believe that to be the case.

50

Thank you. Certainly, there's nothing in change request 184 that compelled IBM to incorporate new

requirements except under change requests as they may be approved from time to time. That's so, isn't it?---I believe that to be the case.

1

Mr Doak never said to you that IBM would incorporate new requirements except under a change request for process? ---No.

Thank you. Just excuse me. There's one more point on this. Yes. Could you turn please now to page 243. I'm sorry. Sorry, 228 to start with. Do you see the start of change request 208?---Yes.

10

Thank you. Now, I want you to go to page 243 to which our learned friend, Mr Horton, took you?---Mm, yes, he did.

In relation to item number 44?---Yes.

And he suggested to you, I think in effect that there had been some sort of watering down of deliverable number 44? ---Yes, that's what he suggested.

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Thank you. Can you keep that open, please. Could you go to volume 9 again. You might need a bit of space. I want to take you to change request 184. It starts at page 128 but the part I want to take you to is page 169. You will see deliverable 44 - - -?---Yes.

1

- - - to which I think Mr Horton took you to which identifies, you will see, in the acceptance criteria, no sevs 1 and 2?---Yes.

10

And I think that's the basis of - you were invited to agree that there had been some watering down?---Yes.

If you go back to change request 208, please, and turn to page 245. Just note item 47?---Yes.

It's the same as item 44 in change request 148 - sorry, 184?---Mm.

If you look at the acceptance criteria which refers to something occurring after three final pay runs - - -? ---Yes.

20

- - - it's plainly something that relates to a post go live report?---Yes.

Really, what I want to suggest to you, Ms McDonald, was what was shown to you as a watering down of requirements does no such thing - in fact what it does is introduce an additional requirement which unfortunately has been given the same number which has led to this confusion in change request 208?---Yes. And as I recall, the discussions that were being had were that the severity 3 and 4s would be fixed after go live. That's what I recall.

30

Your recollection is that nothing was done to alter IBM's contractual obligation to fix all of these defects under whatever - - -?---That's my recollection.

Whatever their obligations may be under contract?---Yes.

40

But there was an additional requirement imposed in relation to the exiting of that - sorry, to facilitate, if you like, the go live?---For the three - yes, there were certainly discussions about facilitating the go live.

Thank you?---And I do recall additional requirements around three pay runs, three successful pay runs. I think it was three.

50

Thank you. Excuse me. You were asked this proposition - thank you, you can put those documents aside now - that by the time these change requests, post change request 184 came along - I sense I don't have your attention, Ms McDonald?---No, sorry, I'm just getting - - -

By the time the post - that is the change requests in the latter half of 2009 came along, you were in a position in effect to say to IBM, "Well, you haven't delivered by the go live date described in change request 184," and you had some power, some ability, to do something. You accept, don't you, that an answer to that would be for IBM to say, "Well, you have asked for changes since 184." You're nodding. You have to say you agree with me?---Yes, I agree. I do agree.

1

And IBM could have said, but didn't, "We're not going to do any changes that you ask for but stick to what we have said in 184," but of course that's not what either Queensland Health or CorpTech want. That is so, isn't it?---I agree with that, yes.

10

And that in order to reach the position that you could have IBM do these things which Queensland Health was asking to be done, you had to recognize that you could no longer insist upon a go live date specified in change request 184? ---Yes, that's correct.

20

And that's what would be said by any reasonable person, if you had said to IBM in the second half of 2009, "Look, you're in breach because you haven't done what the go live date in 184 says." Do you agree with that?---I would agree with that.

Thank you. Nothing further.

30

THE COMMISSIONER: Mr Horton?

MR HORTON: No questions, thank you.

THE COMMISSIONER: Okay.

Ms McDonald, thank you for your assistance. You're free to go?---Thank you.

WITNESS WITHDREW

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THE COMMISSIONER: Now, do you want to - - -

MR HORTON: Mr Grierson - yes, my witness and I'm happy to start if you want.

THE COMMISSIONER: Yes. Yes. I was going to ask, do you want to resume at quarter past 2 or would you rather resume at half past?

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MR HORTON: I'm happy to resume at quarter past 2. I call Malcolm Grierson.

GRIERSON, MALCOLM JOHN sworn:

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MR FLANAGAN: Would you give your full name to the inquiry, please?--Malcolm John Grierson.

And Mr Grierson, have you declared a 64-paragraph statement, dated 24 April 2013?---Yes.

Would you look at this document, please, sir. Thank you. Is that the statement that you have made?---It appears to be.

10

Are there two amendments that you wish to make to that statement - may I first take you to paragraph 24?---Yes.

For paragraph 24, Mr Grierson, do you wish to delete the words on line 9 of paragraph 24 of "IBM project manager" and change that to "IBM project management"?---Yes. That's what I intended, I think, when I typed it.

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All right, thank you. And underneath that, delete the words, "Replacing their project manager with a" - do you have that, Mr Commissioner?

THE COMMISSIONER: Yes.

MR FLANAGAN: So delete those words, replacing the "project manager" with a, on lines 12 and 13, and insert instead, "by installing a more senior project director instead," and then it goes on to Bill Doak and July 2008. Is that correct?---Yes. That's simply to clarify that having reread it, I realized that Bill Doak was not just a project manager.

30

Thank you. Can I then take you to paragraph 43 of your statement, and the date in the third last line of paragraph 43 should be May 2009 rather than March 2009? ---Mr Flanagan, I don't - yes. It doesn't really matter because I have now discovered that there are in fact executive council approvals on March and May.

40

I see, all right?---So it doesn't really matter.

So perhaps more accurately should be say that to extend TSS were given in March and May 2009?---That would be more accurate.

Thank you. With those amendments - - -?---Could I make one more amendment?

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Yes, you may. Of course?---Paragraph 55, the third bottom line, I say the latter issue was addressed by CorpTech in engaging specialists. I think that has been brought to my attention by your office. It was actually IBM that did that.

13/5/13

GRIERSON, M.J. XN

Thank you. With those amendments, are the contents of your statement true and correct to the best of your knowledge and belief?--Best of my ability, yes. 1

I tender the statement of Malcolm John Grierson, Mr Commissioner.

THE COMMISSIONER: Yes. Mr Grierson's statement will become exhibit 116. 10

ADMITTED AND MARKED: "EXHIBIT 116"

MR FLANAGAN: Mr Grierson, from October 1998 to 1 July 2011, you were the director-general of the Department of Public Works.

And for a three-month period in 2007, you were the director-general of the Department of Premier and Cabinet under then Premier Beatty?---Yes. 20

Now, you were at the time - the time you were in Public Works, you were aware that there was a Shared Services Initiative in or around 2002?---Yes.

And initially at least the Shared Services agency and CorpTech were established with Queensland Treasury?---Yes.

You, however, had some involvement with the Shared Services Initiative as a member of various CEO committees?---Yes. 30

And apart from being a member of the CEO boards, you say that the first major event that caused you to become more involved was the selection of SAP as the preferred finance and HR payroll system for the whole of government?---Yes.

That was in 2005?---Yes.

Could you explain your involvement in that, please?---Well, at that stage, the major payrolls that were bring run across government - so the payroll that was paying most of the public servants, was a payroll called Orion. CITEC which I had been the director of in earlier life had - was part owner of that. 40

THE COMMISSIONER: Sorry, can I interrupt. I'm sorry. I think this is going to be quite a long answer. Can we have the rest of it at 2.15?---You can have it whenever you like, Mr Commissioner.

We will adjourn until 2.15. Thank you. 50

THE COMMISSION ADJOURNED AT 1.04 PM UNTIL 2.20 PM

THE COMMISSION RESUMED AT 2.20 PM

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MR FLANAGAN: Mr Grierson, just before lunch I asked you what was your involvement in the selection of SAP in 2005 as the preferred finance and HR payroll system provided for the whole of government?---If I can set the scene for you, at that stage, the Queensland government payroll was run by three separate systems: LATTICE, which you know about; Education, about 80,000 - education about 80,000 - TSS - - -

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THE COMMISSIONER: I think you meant Health first. You said Education twice?---I'm very confused. Health had LATTICE, about 80,000; Education had TSS which is about 75 plus, and then the rest were on the system called Orion which we ran in Public Works which was about 75,000 as well. Orion was a local product and we at CITEC - when I was at CITEC had some ownership of that. When SAP was being selected and was selected, I had representations from David Mercer who I had known for a long time, he's a director of Orion and the managing director complaining about the fact that SAP had been selected, so that was his involvement.

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Thank you. And while we are on this topic, could you give the commissioner some of your background in IT?---Well, a bachelor of economics, master of public administration for (indistinct) I'm a fellow of the Australian Computer Society, have been for many years. I started in IT in 1967, so those are the days when it was punch card stuff. I have been right through all of the technology advances, technological advance since then. I ran the government's computer centre, CITEC, for about nine or 10 years until just before the Goss government was elected at which time I was moved to Public Works to become the deputy director-general.

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You said before that you had around three months working for the then Premier Beattie as his director-general of Premier and Cabinet. That was for the last three months of his premiership, was it not?---That's correct.

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When Ms Bligh was appointed premier, she appointed Mr Ken Smith as her director-general of Premier and Cabinet?
---Yes.

You returned to Public Works. Yes?---Yes. That was always the plan.

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Yes, quite?---I was never appointed director-general, I was acting director-general.

When you returned to Public Works as director-general, did Mr Smith inform you that then-Premier Bligh wished to move the Shared Services agency and CorpTech to your department?---I can't confirm the second part but certainly he contacted me and we had a meeting - I remember in his office and he told me that the Premier wanted to move Shared Services agency which is the people part of it, the Shared Services agency, over from Treasury to Department of Public Works.

1

Mr Grierson, was it explained to you why the Premier wanted to do that?---Well, yes. It was - well, basically, the Premier had had experience with the Shared Services which he was treasurer of Queensland and I don't think it had gone well, or she wasn't confident that it was going well and she also thought that it was probably not Treasury's core business to be running that sort of an operation, whereas Public Works - we were running whole of government operations for a whole range of things.

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In or about September 2007, was the Shared Services agency moved from Queensland Treasury to Department of Public Works?---Yes, I think that's the date, yes.

20

All right. In or about November 2007, you became aware as director-general of Public Works that IBM had been awarded to the prime contractor pursuant to a contract of 5 December 2007?---I was aware that there was a prime contractor model being tendered and I was aware that - I can't recall the date but I was aware that IBM was selected, yes.

30

All right. Now, at the time that IBM were appointed as the prime contractor, was it explained to you by any person why IBM was awarded that contract?---Well, there were meetings where Gerard Bradley would - or some of his senior officers would talk to all of the director-generals about where things were going and - not in detail, but basically that IBM had won the evaluation process.

40

Was it explained to you that IBM's price or the tendered price for IBM was many tens of millions of dollars less than Accenture's?---I don't know - I knew that, I had heard that, I don't know where I heard that, whether it was through Treasury or not but there was certainly - it probably was at that time discussions with Gerard Bradley.

All right, thank you. Now, in or about December 2007, do you recall that you had a meeting with Mr Salouk of Accenture?---I didn't but I do now. I didn't even remember Mr Salouk until I saw him on television walking outside this building and then I did recall, "Yes, I know you." Yes, I do remember having meetings with him, yes.

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Now, do you recall where that meeting took place?---Well, he - I think in his transcript he said it was lunch. I've had my diaries checked and it wasn't lunch. It was 9 o'clock in the morning in my office. 1

Thank you. In any event, did he make clear to you that Accenture were had been or were unhappy with missing out on the tender?---Very much so.

All right. Do you recall what he said to you in that regard?---Well, I guess that his concern was that - I guess the process by which IBM had won the tender, he did not believe was fair. Can I just embellish that a little bit; I was - one of the responsibilities of my department was the government procurement so it was very common knowledge for me to have representation from losing tenderers complaining about having lost and usually it was about the process and about what the winner was going or not going to do. I think Mr Salouk's concern was that like many builders have been accused of doing, IBM had bid low on the basis of them getting variations to be able to get the right price. I think that was his suggestion. 10 20

All right. More importantly, is that a suggestion he made to you at the time of this meeting?---That's what I'm saying. They are the sorts of comments - it was the process that he was - I don't think he was criticising IBM as a company ability to do it.

Did you say to him that IBM's bid had been tens of millions of dollars less than Accenture's?---I don't recall that but it's possible and I don't - if he says I said it, I don't dispute that because at that stage - and it was not uncommon for me - my policy and government policy was to give feedback to losing tenderers and it was not uncommon for me to tell a losing tenderer, "Look, you just weren't in the financial ball park. You were tens of millions of dollars out, or you didn't have the resources, the expertise, the track record," whatever the main reasons were for them losing so that next time they could rectify those things, so that was very common. 30 40

Thank you. Do you recall Mr Salouk saying to you words to the effect that you, as director-general, once you inherited this contract should hold IBM's feet to the fire? ---No, I don't remember those words but I think the message was, "Please Mal, make sure that IBM deliver," because he didn't think they could.

All right. Did he explain to you why he didn't believe IBM could deliver on the contract that had been awarded?---As I said before, Mr Flanagan, he was not criticising IBM in the sense of their ability to do it - - - 50

Quite?--- - - - he was criticising or not believing that they could do it for the price - if it was tens of millions of dollars below their price.

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Do you recall Mr Salouk said to you words to the effect that if you can get IBM to deliver on schedule as they promised for the budget they have committed to, I will personally write you a letter congratulating you on this decision?---No, I don't remember that.

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All right. Do you remember words to that effect at all? ---No.

Or a message to that effect?---No. The message was quite clear of what I have just said, that this is going to be a tough, tough gig for IBM to deliver for that price.

At the time of this meeting in December 2007, you had relationships with senior management of IBM and with senior management of Accenture, didn't you?---And every other computer company as well.

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And every other computer company?---Yeah.

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So you knew what was at stake in this regard, did you not? You knew what was involved in this regard?---I'm not sure what you mean.

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In terms of Accenture coming to you and seeking for you to hold IBM to account?---Well, it didn't matter to me what Mr Salouk wanted me to do, I was a director-general of the Queensland government, I had responsibilities, I didn't need him to tell me to hold IBM to account.

10

All right, but at least through the conversation with Mr Salouk, you were warned as early as December 2007 that Accenture had grave doubts that the work under the contract could be achieved at the price tendered by IBM. You knew that, didn't you?---It's of absolutely no relevance whatsoever. Every losing tenderer would say to me, "We could do it better, there's a big risk in giving the tender to that company, we could have done it" et cetera.

But this is Accenture saying to you, and you knew the senior management of Accenture, but it's Accenture saying to you - - -?---And I knew the senior manager of IBM and other companies.

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Quite. If you listen to my question?---Sorry.

The senior management, through Mr Salouk of Accenture, is telling you, "We, Accenture, do not believe this contract can be done for the price quoted." Yes?---Yes.

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So you appreciated that they were at least telling you that. Yes?---Yes, they told me that.

All right. So you had an appreciation that there might be variations or change requests sought to this contract so as to achieve a higher price?---No.

No?---No. As I've just told you, every losing tenderer would be saying to me things like, "They can't do it for this price, we could, there's a big risk going with (indistinct) that is standard practice.

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Do you recall Mr Salouk actually saying to you, "I'm telling you that Accenture cannot do it for this price? ---You mean IBM?

No, Accenture could not do it for the price?---No.

You don't recall that?---For what price?

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For the price that IBM had quoted?---I don't recall that, but certainly his message was that the price that IBM had bid he believed was extremely low and that they would be looking for variations.

Did you at least take this from Mr Salouk's conversation, that you, as director-general, when you inherited this contract should keep a close eye on the management of this contract?---I don't want to labor the point, but every meeting I had with losing tenderers would say that and I didn't need Mr Salouk to tell me who I needed to keep an eye on or not keep an eye on. I'm not being precious here, but that was a standard reaction from a losing tenderer to try and discredit the competitor.

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Can I put it this way: as a result of your meeting with Mr Salouk and the other representatives from Accenture, is it the fact that you took nothing away from that meeting in terms of how you should keep an eye on the contract?---No, I think the concern I had from that meeting was ongoing relations with Accenture, we, being the government. They were a major player in our IT scene, that they were very concerned and upset because they believed that something wasn't right with this IBM tender bid and the way it was selected, and that was of concern, and that they believed that the price - they just did not believe that the price being tens of millions below theirs was realistic.

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Apart from that concern, did you go away with the concern from this meeting that the tender price may be too low and that you would need to keep an eye on this contract?---No. Well - - -

COMMISSIONER: Whether as a result of what Mr Salouk said or not, did you think this was a contract you should keep an eye on?---No. Could I add to that?

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Yes, of course?---At that point in time, Commissioner, I would have had over 1000 contracts under my control, not one, 1000 at least. And I know there's been talk about, "Well, this was \$9 million or \$6 million," this building, 160 million, we started next door which was 600 million. We had thousands of contracts for the nation building scheme right throughout the state, every school we were spending hundreds of thousands on. This was just another contract in all of the contracts we were managing.

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MR FLANAGAN: Mr Grierson, we've heard very similar evidence from other Queensland public servants and other Queensland director-generals, but ultimately, as a director-general, when you turn your mind to an issue you actually turn your mind to an issue, don't you. So that if you turn your mind to the management of this contract, you would have been doing so to the best of your endeavours. Yes?---Yes, but I wouldn't have been personally managing this contract.

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We'll come to that, but it's the case, isn't it, that according to Mr Doak he met with you weekly, and you say you've checked your diary and you believe that you met with

him perhaps fortnightly. Is that correct?---Well, actually, my former secretary has checked, the best it was fortnightly. During the first half of Mr Doak's term 2008, it was in fact probably monthly and I never met Mr Doak ever on my own, I always had my senior assistant director-general, Robin Turbit with me, and Barbara Perrott who was the head of CorpTech. This was not unusual.

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Wasn't it the case that you had an IBM fortnightly project meeting where you attended, then your deputy director, whether it was Ms Turbit initially or later Ms MacDonald and Ms Perrott, that is, the head of or chief executive of CorpTech, and Mr Doak?---Yes.

10

So those meetings you arranged to have on a fortnightly basis. Yes?---I think he arranged but I agreed to them.

Mr Doak arranged it. We'll come back to that. In any event, you met with Mr Doak and people from your department approximately once a fortnight in relation to this project? ---I would suggest to you it was probably once a month.

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You suggest it's once a month?---Well, check my diaries and you'll find that's what the case was. In fact, having checked with my secretary further, she tells me that after February 09 she can't find any meetings that I had, those meetings were ceased, and that Mr Doak continued to meet with Ms Berenyi, and then when Ms MacDonald came onboard meeting with her. So I don't think that there were any meetings with Mr Doak and myself after 2009, February.

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We're leaving the topic though, and the topic is this: when you had those meetings and when you turned your mind to the management of this project, you did so at the time, yes? No matter how busy you are with other things, you turned your mind to this project when you had to. Yes? ---Of course.

As it was, CorpTech was transferred to your portfolio in or about 1 July 2008. Is that correct?---That's correct.

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There were governance changes when CorpTech came to you. Is that correct?---In what way?

I'll take you, if I may, to the first annexure to your statement, which is MJG 1?---Yes.

This is a shared services CEO governing board meeting, dated 15 April 2008, and I was wondering if you would be kind enough, Mr Grierson, to explain to us at page 2, the top of the page, the revisions to the SSI approach and the governance discussion points to explain to us what were the changes in governance in relation to this?---Okay. I think, I'm pretty sure, that what happened was that

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originally all of the shared services were controlled by one committee and they were all run out of CorpTech Shared Service Agency. At this stage, it was decided that Health and Education would take up their own governance of their own shared services activities, and my department, Public Works, would continue with the rest of the public service. So Health and Education were pushed back to those agencies.

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Thank you?---At their request, I might add.

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At their request, yes?---Yes, they certainly wanted to do that.

Can I take you then to paragraph 20 and 21 of your statement?---Yes.

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When was the first time that anyone from CorpTech brought to your attention that CorpTech at least were experiencing some difficulties with IBM in relation to the 5 December 2007 contract?---I don't know, but certainly by April, and as those minutes indicate, there was a message around about CorpTech having trouble with IBM. In fact, if I can - later on, we're going to talk about me talking to Lochlan Bloomfield about IBM. I say during the first few weeks of getting CorpTech, it must have been earlier than that because it was around April. By April, I certainly knew that I was going to get CorpTech and that there were difficulties with IBM.

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Quite. Now, as at April 2008, your department had not yet inherited the contract of 5 December 2007 - - -?---No.

- - - nor CorpTech?---No.

Can you tell the commissioner what happened when you did inherit the contract and CorpTech on 1 July 2008, what were your immediate steps?---Well, the first step was to talk to my minister. I guess there was not a feeling a joy about getting this. We didn't particularly want CorpTech and this was a problem, obviously. And his recollection - my recollection was, in talking to him, he said, "Well, look, all we've got to do was we've got to do sort of a due diligence," which is - obviously due diligence in advance as was post getting the thing, and work out what it is we've got here because I guess he was concerned that he wanted to be able to go back to his cabinet colleagues and say, "All right. You've given me this thing, but hey, this is what it looks like." You know? There are a lot of problems with this that you've just dumped on us and I want you to know that we've got these problems that we've inherited. I guess he didn't want to come 12 months down the road and someone say, "Minister Shwarten, you've made a mess of this." He wanted to make sure that people knew up front what it was we had and so did the team, in a way, because we were a bit nervous about this. So we embarked on due diligence. I certainly spoke with - I had presentations by Barbara Perrott about what was happening, and others in her team. I phoned a couple of people that I knew through my contacts through the IT industry who had been involved. Karyn Mottershead from Accenture, she came up and had a coffee with me one day and told me exactly what she thought was going on. Gary Uhlmann came and saw me, and told me what he thought the issues were.

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Where was he from?---Gary Uhlmann is the consultant that you have spoken to.

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Sorry, Mr Uhlmann. I didn't hear you, sorry?---Sorry, Gary Uhlmann, yes. He's a consultant that's been here. So I generally gathered as much information as I could from within government and from outside the government to see if we could understand what it was we had.

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Can you tell us at that stage what conclusions did you come to?---My conclusions were - and this is - I don't know want to go off the tangent here but can I just say that my minister and I had spent 10 and 12 years building buildings, this building, the one next door, convention centres, you name it, all the government buildings. The key to it, the key to building those sort of buildings was understanding and locking down scope. When we got this thing, one of the earlier things I asked and the minister asked was, "What is the scope of this thing?" And so I spoke to Barbara Perrott and she said, "Well, Mal, there's been a lot of toing and froing, and confusion about that; however, we have just locked this thing down with" - and I didn't know the numbers but I'm told now there's a change request 60 and 61 or something like that. We've now firmed up the scope. Unfortunately that wasn't the case and then later on, as you know, the scope was revisited and revisited, and revisited. So I guess the concerns we had were scope. Another concern we had was the amount of money. There was obviously a wish list of projects to be run out across the whole of government and we suspected that Treasury might have given us a big list of jobs to do and not given us the money with which to do it, so, again, we tried to rationalise that.

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Can I just ask for yourself whether you familiarised yourself with the contract of 5 December 2007?---No, never saw it.

Statements of work 7, 8A or 8?---Never saw it.

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The QHIC scope definition - - -?---Never saw it.

- - - document. But you would be briefed by departmental officers in relation to the effect of those documents?---I would be briefed by departmental officers about the major issues with the project; I would not be briefed about standing off of change request or whatever it is number 3, 4 or 5.

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Thank you. Now, in relation to your due diligence, as a result of conducting it, did you appreciate what governance structures had been put in place for the management of this contract by CorpTech?---Yes.

And what were they?---Well, that CorpTech had a range - do you mean within CorpTech?

Yes?---CorpTech had a range of people that were managing the contract. They had people who were looking at the - I can't think of the name, the SDA or something that were evaluating change requests and the requirements that were coming out of Health, and they had, of course, a huge technical team under Philip Hood.

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All right. Did you appreciate that there was an executive steering committee that was ultimately responsible for the management of the contract headed by Ms Perrott?---Probably. I wouldn't think she'd just do it on her own; she would have had a team of people doing it.

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Quite. And did you appreciate that both - there were other advisors to that executive committee such as Mr Doak from IBM?---Well, I would be surprised if he wasn't advising. I doubt that he sat on the committee, though.

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All right. Did you ever familiarise yourself with any of the executive steering committee minutes for the purpose of identifying the problems that had arisen prior to 1 July 2008?---No. As I said, the process within government is that the minister gets advice from the director-general and that would have been of important issues that he needed to know about. I would receive advice from my senior people about the issues that I needed to know about or do something about, and it would never get down to details of minutes of meetings.

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I think my question then is this: how did you view yourself or your role in terms of the governance structure that had already been put in place in relation to the management of this contract?---Well, I wasn't real happy with the governance structure, and I'm not talking about within CorpTech. I was of the view that Health and Education were big enough to manage their internal affairs. I didn't believe that CorpTech needed to be doing that, and so when the SSAs went over, I know that Barbara Perrott had conversations with me about changing the governance structure so that those two big agencies had their own governance, internal governance structures, project boards and the like, and that was fine. I thought that was a good idea but I made it very clear that our responsibility was the rest of government.

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So did you appreciate that Queensland Health had a project board and a project directorate at a later stage?---That was part of the government's changes, yes.

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Yes, all right?---Mid-09, I think.

But where did you fit in, in terms of the governance structure in relation to Public Works in managing this contract?---Well, I was the accountable officer as director-general, so as one of the, as I said, thousands of contracts under my department's control, I was the accountable officer.

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All right. Now, in your own mind, how did you seek to manage this contract then?---Well, there were two things. I guess I had a formal advantage of having had an extensive background in IT. The second advantage I had was I knew a

lot of the senior people in the IT world. So the role -
well, once - yeah, the role I played was internally to
ensure that my people, my heads of my various areas,
whether it was Natalie MacDonalld or Barbara Perrott, then
Margaret Berenyi, clearly understood what it was that we
were trying to do, what the targets were, and they were my
views or the minister's views about: for God's sake, lock
down the scope of this thing. The second thing that I felt
I had the ability to do was to escalate beyond Bill Doak to
senior IBM personnel and I think as I say in my statement
I went as high as the pacific - Australian pacific
vice-president of IBM, who's number 3 in IBM in the world,
Frank Kern, to talk to them - to him about please ensure
that we get the best support we can for this project
because at that stage, when I got this thing, there was no
doubt that the tensions between government people and IBM
were high.

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All right. Can I take you then to - - -

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COMMISSIONER: Before you leave that, can I just ask something, Ms Flanagan?

MR FLANAGAN: Yes, of course.

COMMISSIONER: Mr Grierson, you said that at some stage Ms Perrott came to you and said that, as she understood things anyway, the arguments with scope of the contract had been laid to rest with change request 60 and 61?---I don't remember the numbers, but, yes.

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You've missed those numbers, that's all right, at that stage. It must become apparent to you sometime afterwards that pattern occurred, that there was still arguments about scope?---Commissioner, you have no idea, and when you get Mr Schwarten he will go off his brain about scope because - - -

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We look forward to that?--- - - - it was clear that you can't deliver a project, you can build a building, you can't without understanding what it is you've got to do.

I think we all understand that. What I want to know from you is this: when it became clear to you that Ms Perrott's hopes hadn't been realised, that those change requests hadn't in fact settled the disputes on scope, what did you do to make sure the scope was settled?---I met with Barbara Perrott and when I found after that 60, 61 that there was still more changes coming, I said, "Right, we've got to freeze the scope, lock it down as at September." I think September was the date that we were sort of finishing our due diligence and we decided that's when we should lock - that's when I believed we should be able to lock the scope down. Post September, she came back and said, "There's more changes being asked for." I said, "I can't believe it." We went back and said, "Right," and by the end of the year I said, "That's it, you have got to lock down the scope of this thing" and she said to me, or it might have been by then, Margaret, "We've had another meeting, we've all got down and had workshops and something, workshops and discussions, and we're going to wrap this all up, lock down the scope," and it think it was change request 184 or something like that was going to lock down the scope. And then after that she come back and said - at that stage, maybe Natalie MacDonald would tell me there would be more changes. So all through this project I guess every time we thought we'd locked it down it'd break out again.

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When in that process did you speak to Mr Kern - - -?---Yes.

- - - and tell him, or at least ask him, to give you the best support they could for the project?---My discussions

with him and with other senior IBM people were more relating to some of the earlier comments of my statement, and that is I did not - I'll answer your question two ways, if I may? First thing, I did not believe that IBM had put on the A grade team on this project. I knew IBM, I knew what capabilities they had, I did not believe they had given us an A team. When they brought Bill Doak onboard after I'd had a little whinge about it, he was not just a project manager, he was somebody who would normally manage many projects at that size. I thought, "They've listened and they've heard." When I complained to senior IBM people about - when they would to me and say - or they would feed me back the same story that Bill Doak had fed them that, "There's been a change request in the payroll and finance integration." My concern was okay, sure, that might not have been in the contract and it may not be - technically, it may be something that IBM can say, "Not our fault." The IBM that I expected running that project should have been across that, should have been on top of that issue about the integration. I can recall distinctly talking to my minister about this, and he said, "What are they doing wrong here, why are IBM responsible then? Can they just walk away," and my answer was, "No, technically they're not responsible," but it's likely if we said to Bovis Lend Lease "Build us Lang Park," and we had forgotten to mention that wanted grass on the surface. And they came back to us and said, "There's your stadium, there are the keys," and we said, "There's no grass," and they can say, "You didn't ask for grass." My expectation with Bovis Lend Lease, a major builder, would be to say:

If that's how you're going to perform we don't want to do business with you, because there's an expectation with an international company that you would have the expertise and knowledge and prior experience to ensure that those things weren't overlooked -

and I was upset with IBM because I believed they'd overlooked the finance/payroll integration. They could say to me until they're blue in the face, "But there was PAYMAN or something else and Health were going to do this," I didn't care. They should have made sure that payroll/finance integration was in place. No payroll in the world exists without a very robust, tight interface with finance. I guess they're the sorts of things that were concerning me with IBM.

I understand that, but can we get back to the point?---Yep.

Which I think you answered in a way, but more directly when these ongoing disputes about scope arose you told Ms Perrott and Ms Berenyi to sort it out, but obviously that didn't happen. Did you ever take control of things and call meetings with more senior people, maybe Doak and

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Ms Perrott together to say, "Sort it out or come back to me with a plan that shows me you're sorting it out"?---The so-called "weekly meetings" that Mr Doak was having with me which were really fortnightly were probably monthly. Those things were discussed and you will probably see emails where I was just getting so fed up with the he said, we say, you said, we didn't business, and I said to them in words of one syllable, and there's an email in your documentation that says this, where I said an email to Kalimnios, Bill Doak and Margaret Berenyi saying:

I'm fed up with this, Health have a contract to install an implement a Health payroll system replacing LATTICE. Get on and do it, stop all this nonsense about, "This is in, that's not in," and so forth.

There's an email there which reflects that, and that was the general frustration I was getting. Yes, the answer to your question, sorry for being long winded, is that on numerous occasions I would say to Bill Doak, "Stop quibbling over this or that, your IBM, you've got supposedly a top team on this, put the payroll in production."

Yes, Ms Flanagan?

MR FLANAGAN: Thank you, Mr Commissioner?---Sorry for that.

Not at all.

COMMISSIONER: Not at all.

MR FLANAGAN: I was going to take you to a document. May I take you to volume 5, page 105? It's a document, Mr Grierson, that you deal with in paragraph 23 of your statement?---Paragraph - - -

23 of your statement.

COMMISSIONER: What volume?

MR FLANAGAN: Volume 5, page 105.

COMMISSIONER: Mr Grierson, my handing over to Ms Flanagan was not an indication that I was satisfied with your answers, I do that because that's his job?---I know it's his job, he's very good at it too.

MR FLANAGAN: Mr Grierson, this is a memorandum or a briefing note to you, dated 8 July 2008, so it's only one week after the Department of Public Works had inherited 5 December 2007 contract, and CorpTech. Yes?---Yes.

In relation to this document, it outlines a number of concerns that CorpTech has in relation to IBM. Yes?---Yes.

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And you would have read that at the time, or at or about the time?---I haven't initialed this one but I imagine I would have.

All right. These are the sorts of things that you would have had disclosed to you in the course of doing due diligence?---Yes.

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If you could just note that on page 1, and then at page 2 if you could simply note under the heading SOW 8 LATTICE Replacement Design Implement and Deploy, and you see there that the very concerns you have in relation to scope are identified, that is:

The current plan and schedule for Queensland Health does not encompass all activities, deliverables, work packages and effective coordination of contributors to ensure a timely, error free go live on 18 November 2008.

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Yes?---Yes.

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There is a suggestion there that the IBM's program director was to hold a midpoint review of this project with the objective of ensuring that it is fully scoped?---Yes. 1

Yes?---Yes.

First of all, do you have any knowledge of that apart from change request 60, 61, which happened before you came on board, and change request 184? Do you know of any - from your meetings with Mr Doak and others - of a midpoint review?---I'm not sure about the term "midpoint review", but I did know that Bill Doak made a point of saying that whilst we were doing a due diligence, he was too, so I presume that's what that's talking about. 10

All right. Just pausing there, did you have any knowledge that Mr Doak, prior to him becoming the program director, had been engaged by IBM whilst Mr Hickey was a program director to do an audit in March and May 2008?---No, I didn't. I never - I didn't know Mr Doak until he walked in my door. 20

Thank you. Did it concern you that questions of midpoint reviews or these disputes about scope were occurring in July 2008 when the contract had been executed on or about 5 December 2007?---It certainly concerned me and certainly concerned my minister but when we got this thing there was - I mean, that was a big concern but the biggest concern was that when we got this we had been told it was a go live date of August 2008 and that wasn't met, so we knew then that there was - there were problems. 30

All right. And then can I take you, then, to page 108 of that folder, and it identifies the way forward by CorpTech, and it says, "CorpTech will," and then it lists four matters, including the first matter which is to escalate to IBM senior management the concerns about its performance?---Yes.

And also brief the assistant director-general of corporate and professional service and assistant director-general strategic human resources, Department of Education, and then in 4: request and require IBM to appoint an external partner to conduct a formal quality review of the overall program. Yes?---Yes, I read that. 40

All right. Now, those things say what CorpTech will do. That memo to you didn't say that you were required to do anything or that you were sought to be doing anything; it was simply a brief, a noting. Is that correct?---I presume so. 50

Thank you?---As I said, this - as you said, this was - we'd only had CorpTech for one week. I suspect this was one of the series of briefings of this is the status of what you've just got.

Yes. The point is, though, it didn't require you to meet with Mr Doak or it didn't require you to meet with IBM executives. That was something CorpTech was going to do itself?--Well, it depends what you mean by "escalated to IBM senior management". Bill Doak was a senior person in IBM that CorpTech would never go to. Above Bill Doak, it would have to come to me.

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All right. Just coming, then, to Mr Doak's first contact with you?---Yes.

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When was that?---I don't know, but my diary will show you; probably within the first week or two of him coming on board.

All right. Now, he came and saw you?---Yes.

And do you recall or have any recollection of your first conversation with him?---No. Well, other than he introduced himself - - -

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Yes?--- - - - he gave me a bit of his background and that he had been in New Zealand and done this and done that. I do think - and this, I do remember this, that he was - I don't know if I'd use the word "apologetic", but I think he more or less agreed that perhaps IBM didn't have the A team on and he was now here, so he was the A team, and so there was a little bit of - and that sort of, "Okay, we've got to get this thing sorted out now."

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All right. Now, in paragraph 24 of your statement, you talk about your meetings with Mr Doak on these terms. You say, "I had discussions with various" - this is halfway down the paragraph, Mr Commissioner?---Yes.

I had discussions with various parties resulting in discussions with IBM executives, property Lochlan Bloomfield and others regarding a change in IBM and program management -

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if you change that?---Yes.

I think I expressed a view at the time which I have certainly expressed since then that I was disappointed that IBM have put a B team on the project, whereas I would have expected IBM to have known in the past to put an A team on the project such as this?

---Yes.

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Do you recall discussing that issue at all with Mr Doak on the first occasion which you met him?---Yes. Do you want me to go on?

Yes, would you mind?---Well, as it starts off, I had discussions with various parties. Some of the earlier discussions I had were with Stan Sielaff, who was the deputy director-general of Education and running the Education project, Michael Kalimnios, who was running the Health, and, of course, Margaret Berenyi, who was - not Margaret Berenyi, Barbara Perrott, who was running out the CorpTech area. And they're the various parties which were giving me all these negative views about the relationship with IBM. I think as I said before, the expectation I had was that IBM would put in an A team, a team with all the expertise to be able to do this, and if that had been the case, we shouldn't have been having these problems where I would be receiving concerns and complaints from people like a deputy director-general of Education and a deputy director-general of Health about their performance. A project manager or a project director of something that size, one of the key elements is to manage the stakeholders and that just wasn't happening.

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Can I come to this: do you recall that Mr Doak requested of you that he meet with you regularly in relation to this project?---Yes.

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All right. Can you recall what words he used to you?---I think he was agreeing, my earlier comments about being apologetic, I think he was agreeing that the stakeholder management had not been where it could have been on this project, and that seeing I had raised the issue about the A team, B team, he was keen to meet with me on a regular basis to keep me informed of what he and IBM were doing to instill in me confidence that they did have an A team on there and they were achieving what they should be achieving.

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Right. You appreciate at that time, though, that there was already an executive steering committee that had been established pursuant to the governance for the management of this contract?---Yes.

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And that was headed initially by Ms Perrott and then subsequently by Ms Berenyi?---Yes.

And that had a number of CorpTech people on it, such as Mr Hood, and also people from the SPO, Mr Campbell?---I don't know who was on it. I don't know who was on it, but I assume so, yes.

All right. And as an advisor to that, there was, of course, an IBM representative, Mr Hickey initially and then Mr Doak. Yes?---I don't know, but I assume so, yeah.

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Now, did Mr Doak explain to you why he wanted regular meetings with you?---Yes.

Yes. What was that?---I just - I thought I just explained that, sorry. He said that as I had basically raised the issue of not having an A team on and that stakeholder management was not being undertaken, and he agreed that it was wanting someone, that he wanted to be able to meet with me regularly to reassure me that he did have an A team on here and that they were delivering as per, I guess, the requests I had made with senior IBM personnel above his head.

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Was that request for weekly meetings initially?---No, never.

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All right. You see, Mr Doak has suggested that he actually met with you on a weekly basis at his request?---That's just not true.

All right. Is it the case that if there's any meetings that take place, they will be noted in your diary?---Yes. Well, they should be. Yes. Do you want me to - - -

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COMMISSIONER: No, they would be there or - - -?---Well, they could be, but - - -

- - - if not, they may very well be missing, but by in large that's - - -?---The meeting with Mr Doak would have been in my diary, but, for example, if I was in my office and Gerard Bradley from Treasury phoned and said, "Hey, can I come over and talk about such and such," obviously I would say, "Yes, come on over," and it would not be in my diary that I was having a meeting because it would be an impromptu meeting, but in the case of Mr Doak the answer is yes, they were scheduled fortnightly meetings but I got out of them a lot of times because I was interstate or somewhere, and the advice I'm given is it's more likely monthly.

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All right. Would you look at this document, please?---Yes.

Mr Commissioner, I should explain, I received these at lunch time so it's a little bit rough and ready in terms of the extract but it's only from - it's certain days starting at 1 August through to 31 October 2008. Do you recognise that as your daily diary, Mr Grierson?---Yes.

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May I take you, for an example, of these meetings, if you go to the entry for 8 August 2008?---Yes. **1**

And the entry for 11 o'clock is 11 am, IBM fortnightly project meeting?---Yes.

Attendees, Mal Grierson, Robin Turbitt, who was then your deputy director - - -?---Assistant director-general.

Assistant director-general?---Mm. **10**

Barbara Perrott who was then the executive director of CorpTech?---Yes.

And Mr Doak?---Yes.

And the place for the meeting was Mal's office, level 7A, 80 George Street?---As every meeting was.

All right. Now, that is identified there as a fortnightly project meeting - - -?---Yes. **20**

- - - at times you would be sick or on leave or not able to attend these meetings - - -?---That's right.

- - - but ordinarily, those meetings were intended to be conducted on a fortnightly basis?---Well, they were intended by Mr Doak to be on a fortnightly basis.

They are described in your diary as fortnightly meetings, project meetings?---Yes. **30**

So can we take it from that description that at least your personal assistant identified them as fortnightly meetings?---No, I identified them as fortnightly meetings too.

All right. Good, thank you. Now, apart from those fortnightly meetings with those persons identified there, did you have one-on-one meetings with Mr Doak from time to time, and also, can you just think about this carefully; just think about whether you have one-on-one meetings with Mr Doak quite apart from these fortnightly project meetings?---I cannot recall ever having a one-on-one with Mr Doak. If you look at that entry that you have shown me, you will have noticed that the entry immediately before it at 10.30 was an IBM briefing - - - **40**

I don't need a justification, I just need an answer?---No, no - - - **50**

Do you have a recollection of meeting one-on-one with Mr Doak quite apart from these fortnightly project meetings?---No, I don't.

All right, thank you. Now, Mr Doak was the program director from approximately July 2008 to I think October 2010, a period that he describes as around two and a half years?---Mm.

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Did you have those fortnightly project meetings for the entire period of two and a half years whilst this project was ongoing?---No.

When did they cease?---I can't give you an exact date but in checking with my former secretary, she tells me that the meetings were held probably monthly until February 09 and she cannot find another meeting from February 09 with Bill Doak and myself until after go live in 2010. I suspect that once Margaret Berenyi came onboard in February 09, she probably took over those meetings or had those meetings, and then with Natalie McDonald appeared as my associate director-general in May that year, 2009, she would have met with Bill Doak and Margaret Berenyi.

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All right, thank you. So to the extent that Mr Doak in paragraph 104 of his statement has suggested that he met with you on a weekly basis, you would - - -?---Sorry, my statement doesn't go to 104.

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No. To the extent that Mr Doak has suggested in paragraph 104 of his statement - - -?---His statement, sorry.

- - - that he met with you on a weekly basis, you would deny that?---That is absolutely correct.

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THE COMMISSIONER: Mr Flanagan, have these been tendered?

MR FLANAGAN: I'm going to tender those and come back to them, if I may.

THE COMMISSIONER: Yes, of course. I will make it exhibit 117. That's Mr Grierson's diary from 1 August 2008 to 21 October 2008.

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ADMITTED AND MARKED: "EXHIBIT 117"

MR FLANAGAN: Thank you, Mr Commissioner.

Mr Grierson, in relation to these meetings whether they be weekly or fortnightly, whether they go for two and a half years or whether they stop in February or April 2009, can I put certain propositions of what Mr Doak recalls talking to you about. Do you recall that to Mr Doak, you regularly expressed frustration associated with changes to scope and resulting delays?---Certainly in delays. I'm not sure I would have discussed scope with Mr Doak. I think Mr Doak raised scope with me on many occasions where he would say, "This is being now asked for. It's going to cause delays," or something.

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All right. Were you critical at these meetings of both CorpTech, Queensland Health and IBM at different times? ---Well, I wouldn't have been critical of CorpTech, my own organization with Bill Doak. What I would have been critical of was the situation where parties were pointing fingers at each other and not getting on with delivering the payroll.

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What I am actually suggesting to you is that you were specifically critical of CorpTech itself?---You're wrong.

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In front of Mr Doak?---You're wrong.

Ever?---Never.

You have no recollection of ever being critical of the performance of CorpTech in managing this contract in front of Mr Doak?---Never.

Were you ever critical of Queensland Health in relation to changes of scope in front of Mr Doak?---The only time that I can recall that was the example I gave before where there was this issue where he kept going on about the payroll finance interface and my reaction was, "Bill, you fellows should have been able to sort that out. You know how important that is." So if that is critical of Health, fine.

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Would you describe your relationship with Mr Doak on these occasions as polite?---Well, I am polite, I hope, with everybody but he was certainly a little bit tense in those meetings. I think he realized after the first couple of meetings that whilst he thought it was an opportunity to be able to get to the director-general, it was also an opportunity for me to find out what he was up to and therefore be able to go to senior IBM personnel in Sydney if I wasn't happy about something, so I think he was a little bit more - a bit more careful about what he said.

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Did you from time to time ask him his views, that is Mr Doak's views, as to the performance of CorpTech?---No. I can't recall that. He - again, he would raise those issues with me. When Bill Doak would come to see me, I would meet as I was about to point out to you before, I would be briefed in advance of the meeting by Robin Turbitt about any issues that she thought I needed to raise with Bill Doak, but usually it was Bill Doak that would come in and he would have his list of things to have a whinge about.

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All right. Now, did you ever raise with Mr Doak your dissatisfaction with any particular IBM representative? ---Never.

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Did Mr Doak ever raise with you his dissatisfaction with any CorpTech or Queensland Health person?---Yes.

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Who was that?---John Beeston.

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We will come back to that if we may. Did Mr Doak ever raise with you the delay in payments or the withholding of at-risk payments by CorpTech through the SBO, that is Mr Beeston and Mr Malcolm Campbell, and him seeking to have those payments released?---He was regularly concerned or complaining about payments, and if I could add, that was typical of any major supplier who was meeting with me, whether it was a building major project director, or a head of another company, payment is critical to all private companies. They have made promises, they have got targets et cetera, so payment was - I mean, that was regular for me to hear complaints about payments.

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All right. Did he also raise with you any intention on the part of CorpTech to issue more formal legal processes under the contract such as a notice to remedy breach?---No, I can't recall that.

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You can't recall that?---That he raised it with me?

That he raised it with you. Yes?---Well, I'm tempted to say no but because I can't recall, but I do know that when we started to - and when I say "we", Barbara Perrott started to write letters that had been drafted by Mallesons and was going to get into a legal form, he certainly wasn't happy about that.

Apart from general themes that I have identified of what Mr Doak over this period of time may have raised with you, do you have any independent recollection of the issues that you raised with Mr Doak?---As I said, I don't recall raising any issue. I cannot recall and I cannot find and my staff - former staff cannot find any notes or any agendas that I ever had from meeting with Bill Doak. He would come in and he would have his agenda, items to discuss with me and I would listen.

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You agree with me that it would not be in the interest of the state of Queensland for a director-general in your position to be criticising CorpTech to a vendor such as Mr Doak from IBM?---Do I agree with you? 1

Yes?---Unless it was warranted, but I can't imagine why you would do that.

If you were critical of CorpTech in front of Mr Doak it would undermine, would it not, any governance structures that had been put in place for the management of the contract of 5 December. Yes?---The only time I can recall - - - 10

First of all, will you agree with that proposition, it's not a starting proposition?---No, I agree with that proposition.

Thank you?---I mean, you're asking me to recall meetings five years ago and I can't categorically say that CorpTech was never discussed, but I mean CorpTech may have done something which was pretty stupid and Bill may have had a complaint about that, and I would have said, "Yes, okay, right, okay, I know that's happened but we're fixing that up," or, "That's been addressed." The point is: at all times when I met with Mr Doak I had my other assistant director-general and the head of CorpTech there, so I don't think I'd have been sitting in front of Barbara Perrott and complaining about CorpTech. 20

The suggestion doesn't come from me, the suggestion comes from Mr Doak himself, that in front of Mr Doak you were critical of the management of CorpTech. Yes?---That's rubbish. 30

All right. The other suggestion is that you were critical of Queensland Health, particularly in relation to it changing scope?---I was critical of Queensland Health changing scope in the sense that - but not to Bill Doak in the sense that I wanted that scope locked down. 40

Can I take you to paragraph 39 of your statement? Your view of a change of scope by Queensland Health is really expressed in the last five lines of that paragraph, is it not?

My view was that if there was something that Health hadn't asked for in the first place, for example, cost allocation which I think may not have been asked for initially, it was only fair that we paid IBM additionally for that. Whereas, if it were something that should have been provided for in the scoped work orders then I wasn't going to pay for it again. 50

Yes?---That's correct.

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All right. That's a view that you expressed to Mr Doak on a number of occasions?---Well, I don't know if I expressed it to Mr Doak. Again, if you go back to my diary that you produced before I don't think there'd be more than half a dozen meetings I had with Bill Doak between that July 8 and February 9 or go live. I mean, 6 or 8 at the most so I'm not sure how much of that we got into, but I think when he was complaining about payments and costs I don't doubt that I would have said to him something like, "If it's something that wasn't in scope or hadn't been asked for, sure, that's additional cost and we'll pay you for it."

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If this in the context, or as early as April 2008, but certainly by 8 July 2008 you knew that there were disputes between both CorpTech, Queensland Health and IBM in relation to scope and scope was never laid to rest in one sense?---I knew that scope was an issue right through this project.

In terms of the interest of Queensland and protecting the interest of Queensland, though, do you agree that if one is critical of Queensland Health in terms of changing scope one shouldn't be critical until one checks whether or not an issue is with in scope or outside scope. Yes?---I'm saying I was critical of Queensland Health.

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All right. Do you recall ever saying to Mr Doak or agreeing with him that Queensland Health were constantly changing their requirements?---No, I didn't know that Queensland Health were constantly changing their requirements until Queensland Health changed their requirements. Somebody would come and tell me, either Natalie MacDonald or Barbara Perrott would come and say, "There is another change." I didn't know there were scope changes coming through the process until they actually happened.

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Apart from being briefed on it, did you take any steps yourself to identify what the scope disputes were really about? For example, the finance/HR integration?---When you say "take steps", when it was reported to me that there were continual changes of scope the only ones that I knew about were the big ones, and that was one of them, and I certainly asked Barbara Perrott - yeah, it was Barbara Perrott at the time - what that was all about. The answer was originally the SAP system was going to interface with something called PAYMAN or something like that. Health have now changed their requirement and are now wanting it to interface with their FAMMIS system. I understood, then, what that was all about, what that meant, and as my earlier comments were made, I was not happy about that.

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How did you seek to resolve, then, that dispute in relation to scope?---I didn't have to resolve that dispute. I had 10,000 people working for, including senior people who were responsible for resolving those disputes. My instructions at the time were to resolve it, sort it out, lock down scope so we can deliver this payroll. Where I believed that IBM weren't doing what they should be doing, I would raise it with senior IBM personnel. At that stage, the IBM director of Australasia had assigned a Peter Monroe, a senior IBM partner, to be my point of contact if I was not happy with the relationship.

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We've heard evidence or a suggestion that Mr Doak had your ear. What do you say to that?---That's rubbish.

Why do you say it's rubbish?---Well, I'm not sure what you mean by had my ear. The first thing is that I've just told you, I met with him probably - - -

Mr Grierson, not my phrase, it's someone else's phrase?---I don't care. The point is you've asked the question and I'm answering it. The point is that I only met with him, I'd suggest when you look at my diaries that you've produced, six or eight times over that period, that's the first thing. The second thing is I never met with him on my own, so any suggestion that he had my ear in front of people like Robin Turbit, the next order of the state of Queensland who was black or white, is ridiculous. The third thing is I think it's to his disadvantage to meet with me, because when he'd raise issues that were starting to get me a little bit upset he knew that I would have access to his bosses, his senior personnel, senior people in IBM Australia to have a whinge about it.

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By Mr Doak having access directly to a director-general of the department meant that if he didn't like the decisions of the executive steering committee in terms of their decisions to withhold payments, or their decisions to issue notices of default, or breach notices, that he could go to you to say, "This is the decision they've made, I don't like it, what are you going to do about it." Yes? ---Ms Flanagan, the assistant in the Queensland government at the time of the director-general, particularly me with the interface I had with the private sector, I could name you 50 heads of companies in Queensland who would have had direct access to me. If the people building this building here weren't happy about something there was no difficulty in them approaching me or approaching the minister to discuss I, that is not something that is unusual. I know you think it was special that Bill Doak would have access to me, that is not special at all. I mentioned to before about the fact that when the Orion people were unhappy the managing director of Orion and the member of the board, David Mercer, had access to me. When Accenture weren't

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happy Simon Porter in fact the head of Accenture
Australasia had access to me, SAP, the head of SAP
Australasia again, Pacific had access to me, that is not
unusual.

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I'm not concerned with whether it's unusual for a person
to have access with you, I'm more concerned with this
principle: that CorpTech were the contract managers.
Yes?---Yes.

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They are the contract managers for 5 December 2007
contract. Yes?---Yes.

In relation to that, they had certain governance structures
in place. Yes?---Yes.

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That included an executive steering committee chaired by the relevant executive director of CorpTech. Yes?---Yes. 1

At one stage it was Ms Perrott and followed by Ms Berenyi. Yes?---Yes.

And they made certain decisions in relation to the contract. Yes?---Yes.

Those decisions would include withholding at-risk payments. Yes?---Possibly. Probably. 10

And those decisions could also include whether or not to issue notice of default. Yes?---Yes.

By Mr Doak having direct access to you, that could circumvent the decisions made by the governing body of the contract. Yes?---No.

Why?---And I'll just try to explain it and I'll go a bit further. This building here that we're sitting in had exactly the same type of governance structure when it was constructed. There was a project board, there would have been executive committees, there would have been all sorts of committees running the project. That did not stop the head of Walter Construction, who built this building, being able to come and see me and talk about the fact that, hey, they're delaying payments to us because of such and such. My response in those circumstances would have been to talk to the project manager and say, "What's this all about? Bill's been to," or, "Tom's been to see me about such and such," and then I would hear the story and that would be the end of it, unless there was something that I needed to be involved in. That happened on every project in the Queensland Government. This is not a different project to the building of the stadiums, hospitals, galleries of modern art, court complexes, they all have the same type of governance structure. That's why I said in my statement I was happy with the prime contractor model because that's what we had to build all those things. We called it a managing contractor, and that managing contractor would have the committees, we would be on committees, they would be on - that was standard practice, it's not special. 20 30 40

But there is - - -

COMMISSIONER: Can I just - I think you said in that answer that if, for example, a project or state manager of one of the companies you're dealing with came to complain about - said to the committee not to make a payment, for example, you say you would listen, but I think you said prior to this that's where your involvement would stop, you wouldn't interfere with the decision made by the committees?---No. What I would do - - - 50

Is that what you said?---Commissioner, yes, I think that's what I said. What I would do is I would discuss it with my project manager or his superior and say, "Walters are complaining that you are not meeting payment schedules. Why not? What's the story?" And he would come back and say, "Because we haven't had a tick off on the quality of such and such," or, "This isn't right," or, "That's not right." And I would say, "Fine, that's the end of that," and nothing else would happen.

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MR FLANAGAN: This relationship, however, with Mr Doak actually went to this extent, didn't it, that if Mr Doak wanted someone or thought someone should be removed from CorpTech in relation to the contract, he could come to you to request that. Yes?---Well, I don't know if he could come to me. He did come to me after he had raised it with Barbara Perrott and presumably wasn't happy, and he did raise it with me in a meeting.

All right. Now, we don't need to go to your diary but your diary does show on 2 September 2008 there was a meeting with Mr Doak, Ms Perrott and Mr Beeston, but before that Ms Perrott had sent you an email on 11 August 2008 - - -? ---That's right.

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- - - and I'll show you that document, Mr Grierson, it's volume 5, page 269?---Yes.

Mr Grierson, for your own reference, you deal with this at paragraph 25 of your statement?---Yes.

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It's the last paragraph there where it's an email from Ms Perrott to you dated 11 August 2008?---Yes.

And it says, "Bill"; that is, Mr Doak, "has raised a high level of dissatisfaction with Mr Beeston's performances ahead of the SPO"?---Yes.

If you could just read that paragraph, please?

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COMMISSIONER: What paragraph of the statement?

MR FLANAGAN: It's the last - - -

COMMISSIONER: No, the statement.

MR FLANAGAN: It's 25 of the statement, Mr Commissioner? ---Yes.

Now, you would have known before meeting with Ms Perrott and Mr Beeston that Mr Doak was, in Ms Perrott's words, "Certainly pushing me to terminate John's contract"?---Yes. I would have known that when?

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When you read this email?---Yes, certainly, yes.

Now, do you recall that you actually met with Ms Perrott and Mr Beeston without Mr Doak present?---Yes.

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Now, had you met Mr Beeston before this?---I don't think so.

All right. Did you understand what his role was in terms of the contract management?---Only from what Barbara told me.

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Did you ask to see Mr Beeston with Ms Perrott?---No. It says quite clearly there they asked to see me.

All right. And did Mr Beeston come armed with a folder of documents - - -?---I don't know what Mr Beeston came with.

Do you have a recollection of the meeting?---They didn't call the meeting but I don't remember what documentation he had with him.

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All right. Can I suggest that Mr Beeston actually came to this meeting and handed to you a folder which documented findings or complaints that he had in relation to IBM?---I don't recall that but I don't dispute it; he may have.

Did Ms Perrott advise you at this meeting that she had actually sought advice from Mr Swinson, from Mallesons? ---About what?

About Mr Beeston being terminated?---No.

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No?---Not to my recollection.

Did Ms Perrott say to you words to the effect that Mr Swinson has suggested that if IBM wanted to get rid of Mr Beeston, that was a very good reason to keep him?---It sounds reasonable.

All right. Thank you. But you don't recall that being said at this meeting?---I don't recall that but if Barbara said that, if that's what she said, I would accept that.

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Do you recall anything that was said at this meeting? ---Well, Barbara had asked to see me. I know that there's been a suggestion that I summoned them; I didn't summon them, they asked to see me, they came to see me and said, "Look, we know that Bill Doak has raised this issue with you about John Beeston. This is what we believe" - this is what Barbara said, "This is what John's been doing and I'm sure that John explained what he was doing," and at the end of the exercise my reaction was, "Good show."

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Did you speak to Mr Doak directly about this issue of his dissatisfaction with Mr Beeston?---He raised it in one of his meetings.

All right. And what did he say about Mr Beeston?---He said that he was slowing the project down, that he was being - he was causing problems. I can't recall the exact words but it was basically that was the issue and that I had complained about an IBM project manager, which was not correct, I hadn't, and that he had got rid of him, and therefore could I do the same thing here and get rid of John Beeston. 1

Now, you left the decision ultimately to Ms Perrott?---Yes. Well, I don't - yes. I'm pretty sure that's what happened. I certainly didn't take any action with John Beeston. As far as I was concerned, if he was keeping IBM honest and making them tow the line, that was fine by me, as long as - and I do remember talking to Barbara about this - not only John, but in general make sure that IBM don't have a case where we have deliberately withheld payments because of some bureaucratic, you know, a comma missing somewhere or something hadn't been assigned properly or that sort of thing. Make sure that we keep this project moving, but as far as I was concerned with John Beeston, if he wanted - if he was keeping IBM honest, that was good, and that's why he was kept on. I know that someone's told me or I read in the transcript that Bill Doak said he was replaced. That's not true. 10 20

Did you understand Mr Beeston to be the director of strategic program office and being the person who was responsible for the delivery and time frames under the contract?---I don't know what the SPO means. I didn't know what that meant at the time but I knew that he was responsible for making sure that the contract was adhered to. 30

Was there any part of the meeting between Ms Perrott and Mr Beeston and yourself whereby Mr Beeston has to justify his position otherwise face sacking by you?---Never.

Can I take you another document, then, please, Mr Grierson. Can I take you to volume 9, page 229. It's the document I asked to be shown to you this morning, if you recall? ---Sorry, give me a page number again. 40

Volume 9, page 229?---Yes, I do recall this, this morning. Yes.

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I want to take you - it's a string of emails - but I want to take you to Mr Doak's email to Ms Berenyi at page 230, it's an email dated 1 July 2009, at 2.42 pm. It's about severity 1 and severity 2 defects. Yes?---That's what it says, yes.

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All right. Can you turn to page 231, please?---Yes.

And the last paragraph?---Yes, I've read that.

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Thank you. It suggests that

This was in response to our request to Mal Grierson that Tony Price be removed for the success of the project. At Mal's request, we compromised and accepted the change of project directorate chairman, but this was subsequently changed back unilaterally with all of the same problems occurring. We'll be taking this up with Mal again as he asked us to do so if this didn't work, which is quite clearly the case.

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This is as at 1 July 2009. Yes?---Yes, that's the date of it.

As I read that, Mr Grierson, that would suggest that Mr Doak sufficiently had your ear that he could make request of you to have the project director, Mr Price, removed. Yes?---No, you're assuming that's accurate, that's not accurate.

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How is it not accurate?---Well, I didn't even know Tony Price. That statement is absolutely incorrect, I have no idea where that came from, I have no idea why Bill Doak would want Terry Burns chairing the project directorate instead of Tony Price. I don't think I knew Tony Price. There's no way in the world I would have wanted Tony Price removed, I don't even know what - I didn't know that Tony Price was chairing anything. That is just not accurate.

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But in terms of it being an email from Mr Doak, and it's July 2009, he doesn't make just one reference to you, he actually makes a number of references. It was a request to you, "It was at Mal's request we compromised," and then he's - - -?---Ms Flanagan, I'm telling you that last paragraph is not accurate, I don't care what Bill Doak said. I think it's interesting that Margaret Berenyi in replying doesn't even refer to it. I read that this morning and she doesn't say, "Yes, Mal wanted such and such removed, Tony Price removed," she just ignored it.

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Is it that you have no recollection of it, or you can sit there and say what Mr Doak has written in that email as at July 2009 is categorically wrong?---I am telling you that I don't recall even knowing Tony Price, and I did, at no

stage, suggest to Bill Doak that I would remove Tony Price from that position. I mean, it's ludicrous to think that I would be able to remove a senior Health department officer from a Health department committee, that is just - it's absolute rubbish.

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But you know by this stage that Mr Kalimnios and Mr Reid had called upon you to see you, hadn't they?---Mr who?

Mr Kalimnios and Mr Reid?---Yes, in September.

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But they wanted to go alone, didn't they, they wanted to go alone in terms of the contract as between Queensland Health and a vendor?---Yes.

And you basically said, "No, it's a whole of government project"?---No, I didn't say no.

You didn't say no?---No.

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What I'm suggesting is that you didn't permit it, you said - - -?---No, Ms Flanagan, can I just explain something to you? As a director-general of the Department of Public Works, I had no authority to tell the director-general of Health he could do this or that or anything. He's also a senior director-general to me, that's the first thing. The second thing, it was government policy that they were going to have an IBM contract, or that they had an IBM contract to replace the LATTICE system. I didn't introduce the IBM contract and it wasn't my idea for the government to have that policy, but that was the policy. Can I finish, please, because this is important. The director-general or Health or anybody said to me, "We want to go alone," my reaction would be to say to him, "This is government policy, whether we like it or not, my friend, this is what I've got and this is what you've got. If you don't like it go and talk to your minister and get your minister to discuss it with the premier, or go back to CBRC, cabinet budget committee, and have the policy changed." That had happened in the past with other director-generals - - -

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Is that what you said on this occasion?---Pardon?

Is that what you said on this occasion?---Yes. That's what I would have said, I don't know exactly the words but that's the tenure. I've had examples of that in the past where people would say, "Mal said we couldn't do this," and my reaction is, "You get your minister to go back to the premier, and if the premier or the cabinet change the policy that's fine." Can I expand on that a little bit.

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COMMISSIONER: No, I think I understand. You're saying it wasn't in your power to let Health go alone, if that was to happen it had to level with the cabinet?---It's a government decision. What I'm saying, Commissioner, is that there is examples in the past. If I could give an

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example, the Public Works Department manage all the vehicles for the government. If you wanted a car in the Queensland government, whether you were a judge or whoever you were you got it through Q Fleet, that was the government policy. Bob Atkinson, the commissioner of police, didn't want to do that, he wanted to buy his own cars from Ford. I said, "Bob, you can't do that, the government policy is you get them through Q Fleet. If you don't like the policy you get your minister to go back to the premier or cabinet and have it changed," and he did. His minister went back and said, "Police would be provide the cars ourselves because we screw the blue lights on and all the rest of it, and we could control it better that way." Cabinet said, "Yes, that's fine." I said, "Yes, that's fine, you have an exemption," and that's what happens in all government policy issues. When we were running whole of government matters, if anybody wanted to not fall in line with the whole of government decision the responsibility was on their minister to go back and argue to have an exemption. I couldn't grant them an exemption.

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I understand, thank you.

MR FLANAGAN: CorpTech was still the managers of this contract, were they not?---They were the managers right through.

Quite, and CorpTech was part of your department. Yes?
---Yes.

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You deny that this statement by Mr Doak in his email to Margaret Berenyi, who was then the executive director of CorpTech, is accurate. Let's just assume for one minute it is, let's just assume that it is accurate, that Mr Doak has not made a mistake in writing to Ms Berenyi in the terms that he has, let's just assume that. Would you agree with me, Mr Grierson, that it would suggest that Mr Doak has talked to you about replacing the head of QHEST, that is, the director of QHEST at Queensland Health?---Hypothetical?

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Yes?---It didn't happen.

But it would suggest that he had a conversation with you in relation to the removal of the director of QHEST. Yes?
---No.

On its face that's what it suggests, doesn't it?---That's what he says.

Yes, quite?---I'm saying it didn't.

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All right. And it also suggests that you had sought a compromise situation where Mr Price stayed but the project directorate chairman - can you tell us who the project directorate chairman was for QHEST?---No.

For the QHIC program?---No.

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You can't?---It was at least three levels below me, I wouldn't know.

But it would suggest that a compromise had been made whereby you agreed to the removal of the chairman of the QHIC program rather than Mr Price. Yes?---No, I don't agree with that.

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And it would certainly also suggest that if there were problems that were recurring in relation to this that Mr Doak and you had an arrangement whereby Mr Doak could go back to you, and he says "as he asked us to do if this didn't work", which is quite clearly the case?---You are basing all of this on something that didn't happen. Are you suggesting to me, Ms Flanagan, that I suggested the removal of a senior officer in Health Department? Mick Reid knew nothing about it - - -

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No, I'm suggesting to you, Mr Grierson - - -?---Who raised this with me? Where else is there something other than - - -

What I'm suggesting to you, Mr Grierson - - -?
---- - - Bill Doak - - -

- - - and I'll put it to you directly so you can understand it and you can respond to it?---Please.

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What I'm suggesting to you is the nature of your relationship with Mr Doak was such that he could come to you to remove people that IBM did not want on the project and that the very fact that you had that type of relationship with Mr Doak fundamentally undermined the governance structures in relation to this contract. That's what I'm putting to you correctly. Would you like to respond to that?---Yes. You are wrong. Absolutely incorrect. The relationship I had with Bill Doak was based on the fact that I had raised the issues initially with IBM about the calibre of their project management. He then arranged to meet with me, I didn't arrange to meet with him, to have meetings to discuss what they were doing and how they were meeting it. I would escalate issues to senior IBM management. If I had a personal relationship, as you call it, I had never met Bill Doak outside my office for a cup of coffee, a drink, or anything like that. I have never, with my recollection, met with Bill Doak other than having a witness there, namely my assistant director-general, who is as straight as a die, so I would never ever meet with him on my own, so - and I did not have a relationship whereby he could compromise the project. That is just not true.

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My suggestion is far more limited to anything you've suggested just then. My suggestion is this: is that because he had your ear, because he had direct access - - -?---No, but - - -

Just let me finish. Because he had direct access to you, he was in a position to overcome the governance structure that had been put in place for the management of the contract?---You are wrong. He did not have my ear, as you put it; he had arrangements to meet with me with other senior officers of the Queensland Government on a fortnightly basis, which basically became a monthly basis and stopped in February. So he did not have that ear. And the relationship I had, or the so-called relationship with Mr Doak, as I've tried to explain to you before, was no different than the same relationship I would have had with another 50 heads of major projects or companies in Queensland.

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Thank you. Can I take you, then, back to chronological order volume 5, page 287?---Yes.

This would seem to be an email from Ms Perrott to you, dated 25 August 2008. Yes?---Yes, I remember it well.

If you look at the fifth paragraph commencing with "Mal", if you could read that, please?---Yes.

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It's the first time, is it not, that Ms Perrott has indicated to you that in spite of some improvements in the project, particularly with Mr Doak coming on board, that she believed that CorpTech were nearing the point where

they needed to take more formal action with IBM under the contract. Yes?---Yes. 1

Now, apart from this email, did you discuss that issue with Ms Perrott?---Apart from reading this email?

Apart from receiving this email, did you have a one-on-one discussion with Ms Perrott in relation to this issue?---I think so. I'm pretty sure that she discussed with me the sending of the letter to IBM, which I think she sent on 2 September. 10

All right. Thank you. Yes. Would you just look at exhibit 117? If you could go to the entry for 2 September 2008.

COMMISSIONER: He can't; it ends at October.

MR FLANAGAN: No, 2 September. 20

COMMISSIONER: Oh, September, sorry, I thought you said December. Yes, 2 September, Mr Grierson?---2?

2 September.

MR FLANAGAN: 2 September?---2 September. Yes.

You would have noticed that Ms Perrott's email is dated 25 August 2008 and this would seem to be the first relevant entry with a meeting with Ms Perrott and Mr Doak, and Mr Beeston - - -?---Yes. 30

- - - on 2 September 2008 at 9 am. Do you have any recollection of this meeting or what was discussed at this meeting?---No.

All right. Do you know how the particular suggestion by Ms Perrott at this stage that more formal action under the contract would need to be taken was actioned?---As I just said, I think that - it's a long time ago, but I think Barbara's - I think Barbara's comment was, "Okay. Doak's on board, things are improving, but, look, he" - let me go back one. I think she was a bit concerned that Doak, being a very senior project director, was making sure that IBM's activities were within cuff, that IBM was being looked after, and so she was concerned that at this stage she had perhaps started getting a little bit legal in the sense of writing and saying, "Look, there's been a delay, you should have done this," and the fact that John Beeston is there, Beeston is there, suggests to me that he and probably Mallesons were the people that were going to draft this letter on 2 September, which ultimately went. 40 50

All right. So you won't have to exercise your memory. Can I show you the letter, which is also dated 2 September 2008, it's volume 6, page 4?---Yes.

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So it would seem to be a letter sent on or about the same date as the meeting that you had with Mr Beeston, Ms Perrott and Mr Doak. Does that assist you at all in recalling what was discussed in that meeting?---No, it doesn't, but I suspect that the fact that it's (indistinct) I suspect it was probably - they met with me, showed me this letter, and said, "Look, this is the advice we've got from Mallesons, it's been drafted, what's it doing is starting to provide everyone notice that we're not happy, that there are things that we're not meeting," and so I don't know if she sought my approval to send it but she probably didn't, probably sought my agreement.

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All right. If you look at your diary entry, then, for 11 September 2008, you will also see there was a meeting with Ms Perrott re at-risk payments?---What date is that, 11?

11 September 2008, 11 am to 11.15 am, Barbara Perrott re IBM at-risk payments?---Yes.

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You understood what at-risk payments were?---Well, I assume that they were payments - if IBM achieved something, they got the payment. If they didn't achieve something, they didn't get the payment. That's a guess, my assumption.

Good. Quite apart from that Mr Grierson, do you have any independent recollection of what was discussed with Ms Perrott at this meeting on 11 September 2009?---No, other than - well, I don't have a recollection but I assume it was the fact that there was some payments due for IBM that perhaps they weren't going to, because of this earlier delay notice, they weren't going to pay.

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All right. Thank you. Can you take up volume 6, which you have in front of you, and turn to page 12 then?---Yes.

These are the executive steering committee minutes for 11 September 2008 from 2 pm to 3.30 pm, so you would have noticed that your meeting with Ms Perrott in relation to at-risk payments occurred on the same day but between 11.00 and 11.15 am. Correct?---Sorry, you'll have to repeat that, sorry.

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These are the executive steering committee minutes for the same date, 11 September 2008?---Yes.

And it shows this meeting occurred between 2 and 3 pm? ---Yes.

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You had met previously with Ms Perrott on the same day between 11 and 11.15 to discuss - - -?---Apparently, yes.

- - - at-risk payments?---Apparently.

And also at this time, a letter had been sent to Mr Doak in relation to more formal action under the contract as discussed between - - -?---Yes. **1**

- - - you, Mr Doak, Mr Beeston and Ms Perrott. Yes?---Yes.

Now, these minutes record under general discussion in the third paragraph, Barbara Perrott advised that no response had been received from IBM in relation to the delay notification responses?---Yes. **10**

And you'll see there that Ms Perrott is the chair person of this executive steering committee and advises Mr Doak as the program director of IBM?---Yes.

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Now, "Barbara also reported on her meeting with Mr Grierson, the director-general, on 11/9/09": that is a reference back to your diary entry, "at which outstanding at-risk payments were discussed in accordance with the payment solution proposed by CorpTech senior management." Can you just note that, please? "In accordance with the payment solution proposed by CorpTech senior management, the DG agreed that outstanding time related issues should be paid but that payment on SOW 11B, SOW 12 and scope around XFA should be delayed." Do you recall that when you discussed this with Ms Perrott in relation to at-risk payments she had come to you with a solution proposal?---I don't recall the actual meeting but I'm not disputing if Barbara had called a meeting or asked to see me to discuss at-risk payments, she would have come along with an issues paper and a proposed solution, which I presume is what she's talking about here.

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Quite. To be fair to you, Mr Grierson, I'm trying to ask you this: do you have a recollection that what you agreed to at the meeting with Ms Perrott in relation to at-risk payments was a proposal that was being presented to you by senior management from CorpTech?---I don't have a recollection, but that's what she says here, that she presented me with a payment solution and that I agreed to it.

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All right. Just to put it more bluntly, do you have any recollection of overruling senior management at CorpTech to say, "No, pay IBM these at-risk payments even though it's being suggested to you that they shouldn't be paid"?---No, and that's not what she says. To be perfectly honest, I didn't know what - I still don't know what SOW 11B, 12 and XFA are, so, no.

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In Mr Doak's statement at paragraph 105, you can see, which I've taken you to, he suggests that you were helpful to IBM in obtaining at-risk payments that were being withheld by CorpTech?---I didn't care what Mr Doak said, the facts of all I'm interested in - and I don't recall ever getting involved - well, the only time that I can recall payments being discussed was when the issue of Mr Beeston was being talked about with Barbara Perrott. My comment to her was:

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Just make sure that we don't get to bureaucratic here and have a situation where somebody from IBM can accuse us of delaying payments because of something that's a really minor issue, like something missing on a form, because that is exactly the problems I had with every major construction project in Queensland.

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There's nothing sinister about this, there were occasions when Mr Doak came to you, as you've agreed already, and said, "They're withholding payments in relation to some

at-risk payments, can you assist us in getting it paid," 1
yes, and you assisted?---No.

You don't have any recollection of assisting?---Show me the examples.

I'm just asking you because Mr Doak has suggested - - -?
---No, you said, and I got, arranged the payments made.
I'm saying you show me where I assisted Mr Doak to get a 10
payment of an at-risk payment. I dispute that.

You have no recollection of ever being helpful in relation
to having withheld payments for IBM paid?---I repeat, the
only time that I can recall discussing payments with
CorpTech, Barbara Perrott, was in relation to John Beeston
and making sure that we didn't delay payments because of
any bureaucratic nonsense about a form not being signed
properly or something like that. If you can show me
something that says that I did, I would be absolutely
amazed. 20

Would you dispute Mr Doak's evidence when he suggested you
were helpful in obtaining payments for IBM?---I'm not sure
what he meant by that, but I don't - if I have to say yes
I'll say yes, but as I've tried to explain to you earlier,
Ms Flanagan, this is - what I'm trying to say is: in my
role as director-general of Public Works, this was bread
and butter. A major contractor coming to me complaining
about payments not being paid, it was just regular, this 30
was a regular occurrence. It's not something where I would
have said, "This is a surprise, Bill Doak wants some help
with a payment," this happened all the time. The answer
was I rarely, if ever, got involved, it would be referred
back to the project managers of a construction project, or
in this case Barbara Perrott.

All right. And then can I ask you to explain this
statement in the executive steering committee minutes of
11 September 2008, "Barbara also advised that the DG does
not support the engagement of an independent reviewer to 40
assess the business solutions programming at this time"?
---Where are you reading from, sorry?

From the minutes in the - - -

COMMISSIONER: It's the last sentence in that - - -

MR FLANAGAN: Second last paragraph.

COMMISSIONER: - - - second last paragraph, page 12? 50
---Yes.

MR FLANAGAN: Can you recall who was suggesting this,
that an independent reviewer to assess the business
solutions program be engaged? Whose suggestion was it?
---I don't know, but I do recall at some stage John Beeston

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GRIERSON, M.J. XN

had suggested some sort of a review. My reaction at the time was we were already doing our own due diligence of this system, I didn't want another party coming onboard again. I think I probably said, "Let's just leave that for the time being until we get through this due diligence and see where we're going."

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What would have been the purpose of having a third party reviewer?---I don't know.

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Do you know whether anyone was being considered for it? ---No, I don't.

What type of organisation would have such a review, from your own knowledge?---Well, to my knowledge, it would have been one of the big three, KPMG, Ernst and Young, Pricewaterhouse Coopers, they're the likely candidates. You may have got some smaller firm. Depending on what was being reviewed, you may want to get somebody with some special IT expertise.

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All right. But as I understand your evidence, the reason that you're against such a third party review was because of the internal reviews that were being conducted by - - -? ---I wasn't against it, I just didn't believe we needed to do it, pay money to have somebody else come in and do a review when we were already doing a review.

All right. Thank you. Then the last sentence, "Mal Grierson plans to discuss the project with IBM senior management in the US in the near future"?---That's correct.

30

Thank you. Now, that was a trip undertaken to the United States and Minister Schwarten?---That's right.

On or about 19 September 2008 you visited Austin, Texas? ---That's correct.

In or about 21 September 2008 you visited Washington DC? ---I'll take your word for the dates, but we visited those two sites, yes.

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How long had this trip been planned for?---I don't know; at least months.

Who arranged the trip?---Who arranged it?

Yes?---One of my staff.

Who instigated it?---Probably the minister and myself in discussions about - we would probably have had invitations. What usually happens - if you'll let me explain - what usually happened was that there would be some event that was causing us to want to look for some overseas experience, and then the various companies would come

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forward and say, "Hey, if you're looking for X we've got one of those running in Seattle, you should come and have a look at that."

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Who invited you?---Who invited me? Us.

Who invited the minister and yourself to go to the United States?---Nobody invited us. I mean, I'm just saying that there were occasions where people would say, "If you're looking at this you should look at this." I can check the report, which is a public document, as you can, to see where we visited. That may have been the time - in fact, I think it probably was - where we visited Seattle because the minister had to sign an agreement with Microsoft about them doing some research here in Queensland, and that occurred.

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All right. Whilst you were in Austin, Texas you viewed and IBM facility?---Yes.

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You were accompanied by Mr Lochlan Bloomfield?---Yes.

You were also accompanied by other IBM representatives from Australia?---Yes.

Who?---Was it Rob Pagura?

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Thank you. And again, when you were in Washington DC, you attended an IBM facility?---We met with IBM research people and senior management. I'm not sure if you attended the facility.

1

I see. And was it in Washington that you had discussions with senior IBM representatives in relation to this project?---It would have been, yes.

Who?---I don't know.

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What was discussed?---Well, the trip in general was discussed. Are you meaning specifically with Health?

Yes?---The minister and I took every opportunity with senior IBM people to raise the issues of what was happening in Queensland and I guess make sure that it was visible to as high as possible within the organisation. I might add that it was quite common for IBM senior vice presidents to raise the issue with us. If you look at it as in if we were visiting IBM or Microsoft, or Sun, or anybody else overseas, several things would happen. The first thing that would happen would be that the overseas parties would have agendas about what we were to see depending on what our major topics of interest were, decisions would be taken by the various companies about who would accompany us and the standard practice for local people to accompany us, and the third thing is that the overseas senior IBM people, or Sun, or Hewlett-Packard, or whoever it be, would be given briefings from their local people about, "Hey, Minister Shwarten and Grierson are coming. These are the issues you need to be aware of." So quite often before we could say anything, the vice-president of whatever company it was, IBM in this case, would have said, "Look, we know that you've got this major project on and we're keeping an eye on it, and we're concerned," et cetera. That was standard practice.

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I'm more concerned about who you spoke to about the 5 December 2007 contract in the United States from IBM. Who did you speak to and what was said, and what was achieved?---I can't tell you who I spoke to because the public document and the parliament of Queensland which is to report on that trip, so if your staff wish to have a look at that - - -

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I'm asking for your recollection right now. Will you tell us who - - -?---Well, I don't know.

You tell us your recollection of this trip to the United States and who you spoke to, and what you said? ---You have asked me twice, Mr Flanagan, and I've answered a third time.

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You have no recollection?---I don't remember who the actual name of the officer from IBM that I spoke to.

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GRIERSON, M.J. XN

All right. Forget the name of the officer. What was said?
---Well, I can't remember specifically what was said; this
was five or six years ago, but I just explained to you that
the general tenor of the conversation as it related to
Health would have been: we know that you've got a batch of
projects on, we know it hasn't been travelling well. We
are - it is visible over here and we are doing our best to
make sure that the right sort of resources are available.

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COMMISSIONER: That's what they said to you. What did you
say to them?---What we said - in fact, it was probably my
minister who was saying, "We are not happy about how this
thing is travelling. We expected better from IBM. You
have got worldwide experience in resources. We want to
make sure that you have got them on top in Queensland
delivering this payroll."

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Did you and Mr Schwarten go to Washington specifically to
speak to IBM about the - - -?---No.

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- - - Queensland Health project?---No. We went overseas,
commissioner, because the Queensland Government was about
to embark on building a \$300 million new computer set up.
At that stage, we wanted to see the best computer setters,
the latest in technology around the world. We contacted a
few people: Microsoft, IBM, Sun, Hewlett-Packard, who are
the major computer companies in the world, and we met all
four of them in America, all four of them showed us their
latest computer centres and the various security and
communication, so that was the main business for the trip.

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Yes, I understand that?---We just took the opportunity of
whenever we were with a senior IBM person and making sure
that they knew there was a project in Queensland, IBM were
running it and we weren't happy.

But as far Washington, did you go there - or what reason
did you go there?---We went there to look at their research
facilities.

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IBM's?---IBM's. They had research facilities to do with
security and communications in relation to the latest in
computer centres. They also had a new system that they had
introduced which our premier was very keen on. She had
seen it in New York or One America, or New York One, or
something. What it was, basically, was a citizen should be
able to get on a screen and access all the government
information that they needed to access without having to go
through 15 different departments. We at that stage had
been given, apart from the other things that were handed to
us, a thing called Smart Services Queensland, which was the
call centre of - in Brisbane - - -

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We're getting off the point?---Well, it's - - -

No, I understand you had a reason other than the Queensland Health payroll to speak to IBM about in Washington?---Here's the point, Mr Commissioner, can I say, is at no stage as the Queensland Health payroll a reason for us to go to America, no stage.

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No, I understand that?---Yeah.

You made it clear. But I think Mr Flanagan's question directed to as much as you can tell us is actually what was said to IBM people in Washington and perhaps in Austin about your dissatisfaction with their performance in the Health project?---Well, what I can tell you, in Austin it would be nothing because the Austin people were very much technical people who were involved in building computer centres.

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All right. Let's go back to Washington, then?---So Washington, where it was the vice-president of IBM that met with us, and all - what - the conversation would be along the lines, as I have said, "This is happening in Queensland," which they knew about, of course having been briefed, "we're unhappy about it. Please make sure that if there's anything you can do to help us, you do it." It was simply like that.

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MR FLANAGAN: What was the vice-president's name?---I don't know.

You mentioned a name before, I'm just trying to find it, starting with H?---H?

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It might have been - - -?---Frank Kern?

Kern, starting with K, was it, Mr Kern?---Yes.

In the United States?---No. Frank Kern was the Australian vice-president; he was in Japan.

I see. Thank you?---He came out to Queensland.

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Can I take you back, then, Mr Grierson to the same volume, volume 6, page 13, and it's the third paragraph starting with the words, "Barbara reported - - -"?---Yes.

"- - - that Mallesons had advised that a breach notice should be served to IBM but Mal Grierson does not agree with this approach and has requested that alternative strategies be considered." Do you see that?---Yes.

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Now, we know from the email that Ms Perrott had sent you on or about 25 August 2008 that she felt the time had come to take more formal steps under the contract. Yes?---Yes.

And that she had then sent that letter to Mr Doak?---Yes.

And that she had also sought legal advice from Mallesons who gave the advice mentioned there - - -?---Yes. 1

- - - that a breach notice should be served to IBM?---Yes.

Now, did you discuss this possible breach notice that was to be drafted by Mallesons with Ms Perrott?---Yes.

And obviously, did you discuss this with her on or about 11 September at the time that she had that meeting with you?---Probably. I don't remember exactly what date it was, but probably. 10

All right. Had you discussed with Mr Doak that there was a proposal to issue a breach notice?---Certainly not.

Well, you had actually met with Mr Doak, Mr Beeston and Ms Perrott, hadn't you, in - I'll show you again?---I know in the - - -

2 September 2008?---Yes. 20

Yes?---And my recollection was that was to do with the fact that there was this letter going to be coming from Barbara about the delay, I think, that letter was all about. It wasn't about a breach notice. We never - well, I certainly didn't discuss a breach notice with Bill Doak.

All right, but you certainly discussed it with Ms Perrott, didn't you?---I did. 30

And you told her that you didn't agree with a breach notice being issued?---That's correct.

Why was that?---Because at that time, this is September, early September, we were still finalising our review. I was hopeful of getting some results, we had Doak on board - feedback (indistinct) Barbara Perrott's email reflects this, that things were improving. I didn't want a breach notice or I didn't want to drop into a legal mode at that stage; I wanted to just see how we could go, finish our due diligence, make sure the scope is locked down and then we'll see how IBM performed. 40

Did you see perceive any improvement in IBM's performance after speaking to IBM representatives in the USA?---Well, certainly when we came back from overseas, I received communication from Peter Munro, who had been assigned as a senior partner, I think, from IBM, to say that: yes, well, we know that you met with people overseas and there's obviously feedback, and Lochlan Bloomfield and Robert Pagura, whatever his name was, were there at the meeting, so it was no secret to IBM Australia about what we were interested in. 50

Do you agree that without your intervention Barbara Perrott on the advice of Mallesons as the chairperson of the executive steering committee would have issued a breach notice to IBM - - -?---She may have. **1**

- - - as early as September 2008?---She may have.

All right. You didn't stop her sending the letter, more formal letter to - - -?---That's right. **10**

- - - IBM, did you?---No.

No. Apart from the review that you're undertaking having started on 1 July, this is now September 2008, apart from that was there any other reason why you stayed Ms Perrott's hand in terms of issuing a notice of breach?---No. Well, the only reason was I was the director-general, I had been given this system to implement, my minister and I, and I had to make a decision on the best way to try and get this thing implemented. At that point, my judgment was I did not believe a breach notice was going to help. However, I acknowledged her concerns and agreed that we should start getting a - get on a more formal legal step or arrangements with IBM, hence the 2 September letter to IBM. **20**

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On 11 September, which is shortly before you leave for the United States, did it cross your mind that at-risk payments had been or continued to be withheld, and had a breach notice been issued, that may have given you more leverage in bringing home your point in the United States?---Could I add that - no, it doesn't.

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Can I move, then, to a different topic, which is your second meeting with Mr Salouk. Again, you've had the opportunity to read Mr Salouk's file note in relation to this?---No, I haven't. I don't think so.

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All right?---I saw his transcript, is what you mean? I didn't see an actual file note written there.

Do you recall a meeting on or about 15 December 2008 at Augustine's Restaurant where you were present with representatives from Accenture?---Vaguely. Is that the one that Robin Turbit was at?

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Correct?---Yes.

Do you recall that you said to Mr Salouk words to this effect, "There are some tough decisions to make after Christmas" - this is Christmas 2008 - "with my blue colleagues"?---Yes. I don't know if I said "my blue colleagues". I probably would have said "our blue colleagues".

All right?---But that's what he said in his statement.

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By "blue colleagues", you're referring to the uniform worn by IBM representatives?---It is not their uniform, it is they are known - - -

Sorry, their logo?---Well, they are known as "Big Blue".

All right. When you referred to some tough decisions to be made after Christmas, what decisions were you referring to, Mr Grierson?---We're referring to the fact that there were delays, there were changes, there were a whole range of things that were going to be, I thought, locked down in early 2009, which I think resulted in change of work 184. We were expecting IBM to, I guess, sit down and make some hard decisions about what they were going to deliver and get Health to sit down with us and also lock down what they expected and agreed that they wanted IBM to deliver, and then we could say, "Right, that's it, lock down, frozen now get on and deliver it." I suspect that's what I meant by "some tough decisions".

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Did you also, at this stage, know that IBM was suggesting a way forward in terms of that the whole of government solution for the Shared Services Initiative could not be done for the price that had been tendered?---I don't know

when I knew that, but I knew that they had done a review at some stage and they were saying what they now knew was expected was not going to be able to be delivered for the original price. I think the main ingredient in there was this HR/finance interface which they will argue was not part of the like for like replacement. 1

All right.

COMMISSIONER: I think you may be at cross-purposes. December 2008, the government had made or was moving towards making a decision to limit the IBM contract to replacing critical payroll?---That's correct. 10

And not delivering the whole of government solution? ---That's correct.

The price increase that Ms Flanagan's asking you about was for the whole of government program?---When we talk about the Education deferment, and I'm sure we'll talk about that in detail, that was a deferment. We weren't saying that IBM - you would never do that, what we're saying is: I want Health, the government wants Health delivered, LATTICE is the problem. Fix Health and then we'll come back to Education or whatever else there was. There was a whole range of them, Department of Community Safety, Emergency Services, there's a whole range of agencies that still needed roll out of the SAP systems. 20

I've read a minute of a decision, I can't remember which one it is, but in essence it said that, "At the point of this rescoping IBM would be asked to replace the Queensland Health payroll only and not to replace the," I think it was Corrective Services and Emergency Services' payrolls, which are also LATTICE?---That's right. 30

They were of course much smaller and you'd expect easier systems to replace. Why was Health chosen, which was obviously as people know, and it was known then, was the biggest and the most complex?---Stop me if I'm not answering your question, please. Health, I thought, was supposed to be rolled out way before, I think 2006 Health was supposed to be rolled out and it didn't happen. I think when you get around to talking about what really caused a lot of the problems with this system, one of the big problems was the fact that LATTICE was allowed to go on too long, LATTICE should have been replaced years ahead. That's a common problem right across a lot of people in the organisation. 40

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That was water under the bridge at the time we're talking about. The contract indicated that IBM should have produced the Health payroll replacement by end of July 08? ---That's correct.

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That didn't happen. At the end of 08, calendar year 08, decision made to rescope the IBM contract?---Yes.

Limit it to Health payroll assessment - - -?---Yes.

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- - - only. But not the replacement of the smallest agencies' payrolls, which was LATTICE. I'm really asking you why they were allowed to do or asked to do the bigger, more complicated payroll replacements and the smaller ones?---Well, they weren't working on anything else. All they were working on at that stage, the two major projects were Health and Education. The plan was after they got those systems in place, they then would be able to take a lot of the work they had done on those over to community safety, all those other agencies. So that was why they weren't working on community safety at that point in time. They were basically working on Health because of the LATTICE concerns.

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MR FLANAGAN: Thank you. Back to this meeting at Augustine's restaurant, then. Can I suggest that you said to Mr Salouk that in relation to the whole of government works that were being conducted by IBM, that what was being put forward now was close to what Accenture had originally proposed?---Well, I don't recall that and I'm sure I wouldn't discuss any specifics about who bid what prices, but I think Mr Salouk might have said to me something like - and this is - the words might not be right but my recollection is along the lines of, "I bet you're finding out now that they're not going to do it for 6 million, that the prices are going to be a lot closer to what we bid." And I think I probably would have agreed with him, "Well, yes, it's certainly getting up towards a much higher figure than the 6 million."

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What I'm suggesting - - -?---But it was nowhere near the price that Accenture had bid.

What I'm suggesting, though, it was actually discussing price in the context of the whole of government solution? ---Possibly. I don't recall.

All right, because the decision had not been made at this stage, even though you're moving to it, to simply permit IBM to continue with the LATTICE replacement?---Well, that's true but I think Mr Salouk's comments were always back towards - were always focused on IBM supposedly delivering Health for 6 million, which he didn't believe would happen.

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Now, Mr Salouk has also given evidence and there's a file note of a further meeting with yourself, again with Ms Turbit present, at the CBD restaurant in town, which I think is now no longer, but it's a meeting that occurs on 12 February 2009, and can I just put that meeting in some sort of context for your, Mr Grierson, by showing you two documents very briefly. Can I first take you to volume 7, page 281?---Yes.

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And this is a QHEST document which perhaps you have not seen before?---Yes, I've seen it.

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But in any event, what was being suggested at this stage was a number of options, but it refers at page 281 in the second paragraph to Mr Kalimnios and Mr Reid meeting with you over previous weeks, and had been told to stay with IBM and CorpTech?---Yep.

Now, you've explained to the commission that's not you saying no rather than saying it's simply government policy to stay with IBM - - -?---That's right.

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- - - and CorpTech. But you knew as at December 2008 that Queensland Health were desirous of going it alone with either IBM or a new vendor for the LATTICE replacement?---I knew that both Education and Health were keen to get out of the whole of government arrangement.

Thank you. And then could I take you again - - -

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COMMISSIONER: Mr Grierson, would you mind looking at that paragraph that Mr Flanagan took you to. The following sentence after the one that he drew your attention to says, "Adrian Shea stated, 'You can't make the call to opt that out. That will be made by Mal Grierson and Gerard Bradley.'" As a matter of fact, is that right or wrong? ---That's wrong.

That's wrong. All right?---I mean, I welcome you to ask Gerard Bradley if he thought he had the authority to overturn government policy as well and I'm sure his answer would be, "No."

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Right?---It just doesn't happen that way.

MR FLANAGAN: And if you then go to volume 9 at page 106.

COMMISSIONER: Did you raise - sorry, Mr Flanagan.

After that meeting with Mr Reid and Mr Kalimnios, and you've explained what was said, did you raise their concerns with your minister?---I can't specifically say that after that meeting I raised the concerns with the minister but I can say that the minister was briefed regularly as issues came up about the project and he was

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certainly aware that Health and Education would like to go down the Shared Services route. Personally, I think that he would like to go with the Shared Services route.

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But at this stage, all that's been done under the contract is the Queensland Health payroll replacement?---Yes.

I think that's right. So it's really only Queensland Health who had a stake in the argument. Did you ever advise your minister of Mr Reid's and Mr Kalimnios's concerns that the contract wasn't working well, Queensland Health just weren't being well served and they wanted to control their own destiny?---I don't know, commissioner. I suspect so. My minister was - not saying regularly - whenever - there were always discussions about how this thing was travelling and so there would be discussions about what was happening, why there were delays, but he would not get involved in the detail, he would probably - as much as he heard from me, he probably would have heard from his minister colleague about what their concerns were at heart.

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Thank you.

MR FLANAGAN: Is that a convenient time, commissioner?

COMMISSIONER: Yes. Sorry to take up your time. You can have more in the morning.

MR FLANAGAN: Okay.

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COMMISSIONER: We'll adjourn now until 10.00 tomorrow.

WITNESS WITHDREW

THE COMMISSION ADJOURNED AT 5.45 PM UNTIL
TUESDAY, 14 MAY 2013

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