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TRANSCRIPT OF PROCEEDINGS

THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

MR P. FLANAGAN SC, Counsel Assisting
MR J. HORTON, Counsel Assisting
MS A. NICHOLAS, Counsel Assisting

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 2/05/2013

Continued from 1/05/13

DAY 24

THE COMMISSION COMMENCED AT 10.05 AM

COMMISSIONER: Mr Horton, good morning.

MR HORTON: Good morning, Mr Commissioner. Mr Commissioner, might I deal with some housekeeping matters first? I've spoken to Mr Flanagan about arrangements over the forthcoming days. This morning, Mr Commissioner, you'll hear from Mr Cowan from KJ Ross at the time, the UAT tester. Then at 2.30 Mr Doak will be called and his evidence is expected to be finished by the middle of the day tomorrow. Then on Monday, Mr Gower from IBM will give evidence and then after that in some order, Mr Hickey and Mr Prebble.

Then we would ask, Mr Commissioner, that you sit on Wednesday to hear Ms Berenyi, but also to finish any of the witnesses which up to that time have been called if there's a need to continue or recall them, but on the assurance from me and I'm giving it on behalf of my learned friend as well without having asked - - -

COMMISSIONER: Isn't that a dangerous thing to do?

MR HORTON: Yes, it is, but on the assurance to you that we do our level best to finish those witnesses by Wednesday afternoon so that on Monday the following week we can commence that other group of witnesses who begin with Ms MacDonald, who's coming from Melbourne.

COMMISSIONER: Is that satisfactory, gentlemen?

MR KENT: Yes, thank you, commissioner.

MR DOYLE: Yes.

COMMISSIONER: All right. We will do that then. Thank you.

MR HORTON: Thank you. Mr Commissioner, I call Alan Brett Cowan.

COWAN, ALAN BRETT sworn:

COMMISSIONER: Yes, Mr Horton?

MR HORTON: You are Alan Brett Cowan. Is that correct? ---That's correct.

I think you go by the first name of Brett. Is that right? ---Correct.

Yes. You've prepared a statement for the purpose of this inquiry. Is that right?---Yes.

It comprises some 47 paragraphs and was signed by you on 16 April 2013?---Correct.

Are the contents of that statement true and correct to the best of your knowledge and belief?---Yes, they are.

Thank you. I tender Mr Cowan's statement.

COMMISSIONER: Mr Cowan's statement is, I think, exhibit 101.

ADMITTED AND MARKED: "EXHIBIT 101"

MR HORTON: Mr Cowan, you were in 2009 a contractor for a company known as KJ Ross. Is that correct?---That's correct.

For about, I think you said, March, April 2009, you were engaged to undertake the user acceptance testing phase four on behalf of Queensland Health. Is that right?---The management of that, yes.

You were there as manager of that until the completion of user acceptance testing on or about 27 January 2010? ---Correct.

Was it only for the fourth phase of user acceptance testing that you had any involvement?---No. The UAT, I understand the first couple had finished prior to my starting there and then we did have a - I think it was UAT 3 it was referred to that was somewhere in the middle of the year of 2009 which we tried to get through and then due to that not being able to be completed, it was decided to start another UAT, but subsequent to that UAT 3 which ran then to the end of January.

About when did UAT 4 start?---Gosh. I really - I'd have to look at my notes as to exactly when.

I'll take you to your notes. Yes?---Maybe August, something like that.

Yes. Just briefly by way of background, you've worked I think conducting tests overseas in the Swiss banking sector?---Yes. I worked for Swiss Reinsurance Co, which is the world's second or first largest reinsurance company in Zurich for five years in testing. I worked for Credit Suisse. I was initially employed there initially as a developer and then came back as a consultant in the testing in their credit cards area, in their trading area, in their finance area, so I worked for Credit Suisse there for about two or three years and then returned to Brisbane.

Were you doing user acceptance testing for the - - -?---As part of the whole thing. Yes. So it was a system which was functional testing, user acceptance testing. The

testing generally tends to encapsulate the whole gamut, depending on whether it's an internally developed system or an externally vendor provider will determine generally what sort of testing you conduct.

Yes. You've said here, I think, that you hold a certificate. You're certified as a certified testing professional in test management. Is that correct?---That's correct.

Is that the authorisation one needs or the qualification one requires in order to perform the sorts of tests you did in this case?---As usual with these sorts of things, I wouldn't say that there's any absolute mandatory qualification that you need, but it is certainly the - it would be considered very relevant for this sort of testing. Yes.

The user acceptance testing which you performed, you performed on behalf of Queensland Health. Is that right? ---That's correct. I was actually engaged directly by Queensland Health.

In projects of the kind which this was, the Queensland Health payroll interim solution, would it be usual for the customer to conduct or arrange the conduct of the user acceptance testing?---Yes, definitely. I mean, user acceptance testing is effectively where you discover, or you confirm rather than discover, you confirm that the system being delivered actually works with your business processes. It's less about the sort of requirements that you have defined as being needed to be delivered in the system and much more an acceptance, an affirmation that the system as developed actually works for them.

In your experience what involvement would a vendor on a prime contractor model have with the user acceptance testing process and parameters?---Very much to provide support, so to help identify where there are uncertainties based on the results of the testing that's been conducted, exactly why those things aren't worked as expected or something like that.

Would they ordinarily be involved in reassessing or having regard to the criteria which operate for entry and exit to user acceptance testing?---They may have an input. It would be very unusual for them to have control, let's put it that way.

You distinguish in your statement from about paragraph 11, user acceptance testing from other types of testing?---Yes.

I think the first example you give is unit testing and then you give an example of functional system testing and then systems integration testing. Those things, I think, or systems integration and systems testing are things you

mention later on in your report that you gave on 27 January 2010. Is that right?---That's correct. It's very important to understand the different types of focus that the different types of testings would have.

COMMISSIONER: Would you explain to me please?---Sure. So when you develop a system, developing can be taking an existing commercial off-the-shelf system and tweaking it and configuring it to be specifically like - to work in a certain way or actually writing code from the ground up. The developers who write the code would do unit testing on a very small granularity to make sure that that little - it could even be five lines of code or one very specific small area actually delivers what they intended. So developing and executing testing is very like building a big jigsaw puzzle and you end up with a big mosaic that is the picture that you want and if you haven't looked at the small detail of each piece before you put it into the big puzzle, it makes it very hard to work out when the whole puzzle was in front of you. It doesn't work, but you're not really sure why. So the idea is that with unit testing you do a very fine granularity. With system testing, which is the functional testing, you check that the system - for example, when you put in a roster, the system appears to actually accept those numbers, that one plus one equals two, these sorts of things, and throughout the system, as it were, you see that that functionality actually works. So as a user, I expected it to do this and it does that. Systems integration testing is where you have multiple components, and in this case you have SAP and Workbrain, and those two things generally are developed in isolation because you have different skill sets, different levels of knowledge that the different developers need and it's very rare for them to be able to work together on the same thing, but at some point you need to bring those two things together and make sure that they talk; that when something sends - when Workbrain sends something to SAP, SAP understands it, accepts it, can do the right thing with it and vice versa backwards. So that's your systems integration testing, as the word would suggest. Once you have a system that actually functionally works and integrates correctly, that it's all functionally good, that you basically can say, "I could go live with this tomorrow," as the technical people, you then say to the business, "Hey, we think that this is ready, please accept it for us, the user acceptance test." That's what a user acceptance test is all about. What it means is you need to have some sort of good process and good quality in the work that has been done before the user acceptance test is conducted because it assumes that all of that stuff is correct. It assumes that the business analysis, the definition of requirements, the definition of the functionality has been done and not only that, but it has been tested in your systems and systems integration test that all of that is correct and functional. Only then should you conduct a user acceptance test.

And the purpose of that is?---To see that the business can use the system as defined, so it's truly just about: this thing is going to go live tomorrow or the next week or in a month and we better make sure that our people are trained we well, we better make sure that the printer is in the right place, we better make sure that the other systems which are not directly in the scope of this project but that may provide input actually provide input in the correct way or take output in the correct way. An example might be finance reports, okay, so the finance report work. Okay, they generate the right numbers, the numbers all add up, it's all good, but the state may require a report that's in a different format, and it's like, "Well, okay, the report works but it doesn't work in terms of a business process."

Thank you.

MR HORTON: You mention, I think, that both those tests, system integration and systems test should be done on a stage for user acceptance testing?---Certainly.

Did you ever see, in this case, the test completion reports or results for either of those forms of testing?---No, I did not.

Are they testing which ordinarily achieved by the contractor, the vendor?---As a general rule, yes, because they are closer to the development, yes.

Ought there always for tests of that kind test completion reports prepared?---I would be astounded if there were not test completion reports, whether they are shared with the customer or not is a different question, but, yes, there must be some reports.

Did you have any involvement or knowledge of KJ Ross having audited the test completion report for systems test and the systems integration test?---I personally was not involved in that and I can't say that I have any clear knowledge of that or not, no.

At paragraph 13 of your statement you make a comment about it being an unusual part of IBM's proposal was the need to use Workbrain as the awards interpretation engine. Before I ask you about that, what technical expertise do you have to make assessments of that kind?---I would not consider myself an SAP expert nor would I consider myself a Workbrain expert. I have a working knowledge of SAP, and certainly through my experience with this project I had a lot of discussions with the technical people. I have a technical background, I was a developer and architect so I can understand the concepts when people speak it to me, but I certainly wouldn't be using my statement as a reason to say it should not have been done this way or not.

I understand. What I'm trying to understand, I guess, is the basis upon which you say "it's unusual"?---The discussions that I had with all of the technical people around this, and my experience with SAP in the past, is SAP is a pretty big system. SAP is the sort of system that if it can't do something you want to understand why we're asking them to do that, it's probably one of the most famous and used systems, ERP systems, all big companies in the world. As I say, if they can't do something you really have to question why they're asking for that to happen.

You say at paragraph 17 of your statement, you've never struck such a large number of the kinds of defects which were thrown up or detected in user acceptance testing here?---Yes, that's correct.

I think you record in your 27 January report that in all the user acceptance testing there were 2422 defects? ---Correct.

A considerable portion of those were severity 2 defects. Is that right?---Correct.

What's your measure for that, what's your benchmark for saying, "It's unusual. We've never struck it before to have so many defects"?---Well, I guess I've been working in testing for 10, 11 years. The challenge with the defects that we found, I mean the number is enormous and it shouldn't be that big anyway but the fact the fact that we are seeing functional defects is the problem. When we tried to start the UAT the pay run just did not work. You're sitting there, you've got a team ready to go and you try and execute the pay run, just press a button and the thing should actually generate all of the data et cetera and transfer it across to Workbrain, and it fails. That's just not a system ready for UAT, it just shouldn't happen. That's a functional and an integration issue and it should not happen.

Let me ask this - - -

COMMISSIONER: Can I just ask: how did that manifest itself in the test you were doing?---It even got to a stage where the CorpTech team, which are the guys who actually execute the things and they sit at their computers and they do the technical back end stuff, so not the entering of the rosters of anything like that, that's all Queensland Health, but these are the guys that once everything's done they get a green light, "Okay, run it," and the guys execute it, generally a team of three or four people. When it works, that's all you need. They ended up with what they called the "wall room" for these guys, because it just had so many issues. They pressed the button and it would crash and they would have to go in and find out, and a lot of the time it was to do with the data. The robustness of

the system to be able to cope with poor data is an integral part of the design and the development of a system like this. You can't have a thing that's, you know, just sitting on a deck of cards just waiting for something to go wrong, and the whole thing collapses because somebody typed a numeral instead of an alpha, a letter, into a field and suddenly the whole thing falls over but these were the sorts of things that were happening. We'd have a team of, I can't remember, maybe 40, 50 people in the UAT test team, the people who are actually the subject matter experts who'd be there ready to execute tests. And the pay run was supposed to run, say, starting at 6 pm and they pressed a button, and that team would be there and they'd work overnight and we'd come in, in the morning and the pay run had failed. So this team of 30, 40 people were just unable to do anything. If that answers your question.

Thank you.

MR HORTON: What was the quality of those people working (indistinct) what was their competence level? It's been said, for example, that they lacked work ethic, or some of them lacked work ethic. Is that a criticism which you think is fair?---No. You know, I personally didn't work for Queensland Health, you know, I was not an employee, I was a contractor there, so I have no vested interest in saying one way or the other whether they were great people or not. They were very, very committed, they were very, very frustrated that they had been trying to do this for so long and it still wasn't working so obviously their mindset was being influenced by this. But they had a very, very good work ethic, they were very much subject matter experts, they were the people who worked in the payroll area so to say that they were not - not only just about the work ethic, but to say that they didn't have the competence or the training or whatever in payroll to be able to do this is much more a reflection on the system than on the people, because if anyone can run a payroll system these guys should have been able to.

Did you, as manager, form the view that any of those testers lacked the skills, competency or work ethic needed to do their job?---Absolutely not. Obviously, you have different levels of people in any team, you're not going to say that everyone's a stellar performer, but they were as good as you could ever expect to get in the sort of role that you were asking them to play. So had the system enabled them to do their job effectively, and obviously they did their job effectively for the sense that, you know, they were able to find all of the defects, but very much the constraining factor was not their motivation nor their expertise or their knowledge.

Can I take you, now, to a topic which really is trying to understand how the issue of scope of the probity as a whole might affect or manifest itself in the job you're undertaking in user acceptance testing?---Okay.

The background is this: that this project is one which was said to be an interim and minimal solution?---Mm'hm.

So my first question to you is: does the fact this might be a scope which is minimal have any bearing or relevance to the task you are undertaking?---Yes, because the definition of the functionality and the business process that we were trying to conduct and to assure ourselves that it was working, obviously it would have been very much influenced by what the system was contracted to do, definitely.

Yes. And were you able then to distinguish when you're testing what of these defects might be ones which are not minimal in scope and what are minimal?---Right. Well, the way that we did this is we actually every morning had a defect management meeting so, sure, the testers, the testers themselves were tasked with actually discovering when the system would not actually deliver the process and the functionality as expected and they would assign a certain priority to that as far as they were aware. We would then every morning have a defect management meeting where members from the testing team, from IBM, from CorpTech and the finance team would be in that room and we would go through each defect that had been found the previous day and we would then come to an agreement about where they actually sat. So that's how we actually would define was it actually in the intended scope or was it not.

And were there things then that were agreed at the meeting you just referred to, these defects you're identifying as being within scope?---Oh, certainly. Most of the defects were defined as being within scope. If they weren't defined as being within scope, we have the ability to set a certain parameter within the tool that we were using to say this thing was not in scope.

Did you ever form the view that there were things which were being identified as out of scope but which affected ordinary functionality? I'll be specific about that, if you like, but there were things identified as being out of scope but which were, in your view, critical to the way that any basic system that pays people should operate?---Yes, yes. There were - the integration with finance, I think, was one of a very interesting area where I would have expected that - what's difficult about that question for me is I was not involved in the discussion about scope, so it's very, very hard to - effectively I'd be reverse engineering those sorts of - that sort of logic. What I could say was that, yes, there were many things that we

discovered that I would find it hard for the system to work effectively if they were not actually in place.

So when we read, for example, in your final report that there had been overall 1737 severity 2 defects in UAT over the four phases, can you give us a feel for what portion of those, of severity 2s, might have been identified as being out of scope at these meetings which the three parties - - -?---In those - in those daily defect meetings, maybe maximum 10 per cent.

So there are defects, are there, that you identify which are not contended by the parties at these meetings to be out of scope?---Not at those meetings.

Yes. Now, there was an escalation procedure - is that right - for the categorisation of defects and their severity?---Yes.

And I think you say at one stage the escalation threshold is 40 severity 2s are detected. Is that correct?---That's right. So basically what you want to do in a situation where you're going to be executing a test, be it a UAT or any other test is you want to have some kind of gauge of what you, prior to starting the testing, would feel would be an acceptable level of quality, and you want to do that before you start the testing because everyone is of sound mind and isn't too emotional, so you want to have that discussion in a very rational situation, so you set those thresholds and you say, "Okay. If we find more than two severity 1s," which basically would be those pay runs not running would be a severity 1, or in this case 40 severity 2s where we say, well, you know, we're starting to feel again the system is not really functionally ready to be UAT'd. Then we escalate it and we use that as a vehicle to communicate that this system is not in the state that we expected it to be to be able to run this user acceptance test.

Now, could I take you, please, to the exit report which I think you're the author of?---Mm'hm.

It's in volume 13 at page 283, Mr Cowan?---Okay.

Now, is that your report?---Yes, it is.

And you are described as a document author, is that correct, on page 284?---That's correct.

Can I ask you to turn to the executive summary, please, on page 287? You mention in the middle of the page, the paragraph beginning, "At the time of writing this report"? ---Mm'hm.

You say there were significant number of severity 2 defects outstanding, that according to previously defined exit criteria it would have delayed the release?---Yes.

Now, is this a reference to these facts that the exit criteria up until shortly before your report was there be no unresolved severity 1 or severity 2 defect?---Correct.

But that in order to - and about the time of exiting user acceptance testing, the criteria has changed to there be no severity 1 defects but there can be severity 2 provided there is for a workaround or it's covered off by a management plan?---That was what was - it was changed to, yes.

Do you recall how many severity 2 defects there were at the time of the exit?---Oh, gosh. I think there were maybe 70 or 80.

Yes. Have you ever seen a case where a system has exited user acceptance testing in preparation for go live where there have been 70 or 80 severity 2 defects?---No, and I would hasten to add: especially not 70 to 80 - without having the defects in front of me, I can't exactly remember, but functionally - issues with functionality as opposed to just business process.

So is this right, that by the time of the exit and there were still the severity 2 defects identified - - -? ---Mm'hm.

- - - that is after some of the severity 2s have been reclassified as severity 3?---That's correct.

And do you know how often or how many defects that reclassification occurred?---I know that in the report - I think that was about the - prior to the entry to UAT, it says on page 295 there, it says, "On 7 July 2009, there was 40 sev 2 defects were reduced to being sev 3 priority 1." Just the concept of having to tweak the concept of severity. Severity - it was not from severity 2s to severity 3; it was from severity 2 to severity 3 priority 1. So it tells you everything we need to know about the attempts to still communicate that they're severity 2 but to somehow squeeze past what were the defined criteria.

Were you involved in the decision to downgrade the severity of defects?---I was in the meetings where that decision was made, yes.

Yes. Were you a decision-maker in those meetings? ---Certainly not. I was very (indistinct) in my objection to it.

Yes. And where in your knowledge where those decisions primarily made, which body?---In the directory.

Now, can I just take you back to the page that I was on, 287?---Mm'hm.

Then you say:

> *While the trend of severity 2 defects was moving in the right direction, given the nature and scope of UAT, we still cannot guarantee that further severity 2 defects will not be there in production.*

---Yes. Interesting enough, this relates to - it was relevant to the comment that Janette Jones was saying - made a statement that I just wanted to keep testing. I just wanted to keep testing not because - not in the sense of a UAT. I wanted to keep testing in the sense of - between when you finish the UAT and you actually start using the thing in production, there is a window where you can actually - it's kind of testing for free. Obviously not in terms of paying people but in terms of - it doesn't delay the project at all to actually keep executing, and it may be that you find some critical issues in that period of time that can then also still provide you better knowledge of the risks that you're taking when you actually flick the switch. So that was an interesting reference that - sorry, I interrupted you.

So I take it than then there could be no guarantee that such defects as you had discovered were the only defects or all the defects which then existed in the system? ---Heavens, no. UAT is not a test that's designed to find defects. It's an acceptance test. It's not a test where, for example, if I have five different types of roster, in a UAT, I might just test one of those just to see that the rostering thing works. If I was in a system test, I would test every single one of those five. That's the difference between system testing and UAT. UAT is there to confirm that the system works with the business processes. It's not there to find defects.

Do you test according to test scripts when you conduct a user acceptance testing?---Yes.

Who provided those in this instance?---The subject matter experts from Queensland Health and the other agencies wrote those test scripts.

Yes. Was there ever a case where you did not follow a script?---Gosh. I didn't execute them. My team executed them. I'd have to say that, yes, it's possible that there were times where they were not following the scripts to the letter. A lot of the time is being driven because of the functionality, as it was intended to be, was not in that form.

Yes. On how many occasions? What sort of proposition of test scripts were not followed?---I would expect that it would not be anything like 5 per cent. I would expect it would be lower than 5 per cent, but I don't have any stats to highlight.

I understand. Were complaints made to you or members of your team, to your knowledge, that test scripts were not being followed?---That was not one of the complaints that I recall. It may have been made on very slightly occasions, but it certainly was not the - it was not considered the prime problem.

Did Ms Jones ever make those complaints to you?---No, I don't think so.

Were you ever aware of this contention that your testers were falling back on their known LATTICE processes or the defect because the expected result wasn't produced?---I think that that's possible and I think it would be a reasonable approach by a person who is used to using a system and they're told to run this new system in this way. If it doesn't seem to work, I would expect that, you know, it's likely that they just tried to have a go and, remember, sometimes these people have really turned up to work expecting to start doing this staff and because the pay run hasn't worked, they're going to be, "What can I do today? Okay. I'll get in," and this does happen because,

again, whilst we did use scripts for the formal UAT team, it's quite common as well to not have scripts within a UAT team, as you would expect. I'm testing to see that this system works. There's a contractual aspect to the following scripts, but from business risk perspective, you just want them to play to the system. You want to know when they do something like that if the whole thing is going to blow up.

Could you give us an example of a test script?---A test script might say: go into the Workbrain, add a roster that has a person working 60 hours per week and crossing over midnight with one of the shifts, then press this button to pass that roster across to the SAP system and then wait for pay run. Once pay run has been finished then go to SAP and check this area, check that area, check this area, that these numbers are there.

So if a test script wasn't followed, is it possible that a wrong defect was identified, a defect identified that was not in truth a defect?---Definitely, but even if the test script has been executed, it's possible that a defect is identified that is not a defect.

So if for a moment you assume the worst case scenario that there were test scripts of the quantum that you've assessed or worse and that there were deficiencies in terms of the testers falling back on LATTICE processes where you think so, does that in any way affect, and to what extent, the conclusions you've expressed in your - - -?---It doesn't affect it at all. The numbers are so huge. The issues that we were finding were so - it's the fact that the issues are functional. If the system had worked, if when we pressed "run the pay run" the pay run ran, if the rosters, the numbers, all added up, if all of these things were correct and complete, but just didn't quite have this particular functionality and didn't work - you know, wasn't even included in it, that's a very different scenario to what we saw. I would have expected that with the UAT in the report that I've written here, what I was trying to convey is that functionally there are huge issues in this system and our UAT can't tell you more than that. Our UAT can simply say, "Because we saw all of these functional issues there is enormous risk. What you need to do is go back and do your proper functional testing." That's what I encouraged and asked them to do and at every stage I was told, "System testing has been signed off. We will not go back to that."

COMMISSIONER: Who said that?---IBM. Explicitly, John Gower.

Thank you.

MR HORTON: Finally on this point about defects that are said to exist in your testing, deficiencies in your

testing, it's said that it was conducted in the wrong operating environment. Is that a - - -

COMMISSIONER: Where are you in the statement?

MR HORTON: I'm really referring to Ms Jones' evidence, day 20, at page 56.

COMMISSIONER: Thank you.

MR HORTON: Ms Jones says:

> *The director would be told that they ran a UAT in the wrong operating environment.*

Is that something that makes sense to you?---I'd have to understand more of the context because it doesn't really make sense to me.

No. When asked about what that meant, she said:

> *I think this was one of the frustrations because things were so compressed. Operating environments are something I never viewed as a problem until this project. The size of the database, the compressed nature of the schedules - - - ?*

---Right.

Is that - - -?---Well, the size of the database, so effectively what that might imply is that we weren't able to run testing against the entire 76,000, 80,000 people on that size database. We did have challenges in reducing the data set-down to a size that was workable. I wouldn't say that that's the wrong environment. I think that that's more - it tends to be the nature of testing that you don't get a full sized production environment to do your testing in.

So is it possible that the sample you chose might be one that's not representative of the whole?---I think that if the question was, "How could we have missed a very specific area of functionality," I would agree with you and if we were in charge of system testing, I'd be really concerned, but again user acceptance testing is not about finding defects. User acceptance testing is confirming the acceptance that this system works with these business processes. Anything that required very specific data sets to make sure that the system functional worked for those data sets is the responsibility of system testing. It's not the responsibility of user acceptance testing. There was a very interesting comment to the response by Queensland Health or by the project to this report where they even pulled out a quote from a testing bible, I guess, where it explicitly describes that.

Good. We'll come to the - - -?---Okay.

Can I just finish on your report for the moment?---Sure.

Back to page 287, which I think you still have open or the volume. You say there are two options, towards the bottom of the page, "The later roll-out, do a full system and integration test," which I think you're saying you have reservations about: (a) whether it had been done; and (b) done to a sufficient standard. Is that correct? ---That's correct.

"Or (b) accept the risk and roll on," in effect, saying, "UAT cannot offer you anything more in light of the limitations you identified"?---Exactly. You're just wasting - basically, that second point was you're just wasting money by trying to crack this walnut with a sledgehammer. The testing that we are doing is not designed to find these sorts of issues.

May I ask this then: if it's right what you say that user acceptance testing is not necessarily identifying all the defects that might exist and if a decision is to proceed by way of a management plan of those defects you have identified, what becomes of such defects as you have not identified, but which subsist?---This is the whole problem, right? It was also an interesting thing to read some of these transcripts that had occurred earlier where the statement was made around - it wasn't that there were - the defects that we discovered or there weren't really many defects that we discovered in the system subsequent to go live, it was all of these other things that actually caused the blow-up. You had already stressed your team so much by exposing them to this for so long with the issues that there were and to additionally have them absolutely max capacity to deal with the workarounds and the known issues that were identified before go live, you had no capacity to deal with anything that you didn't know about that would turn up and what I'm trying to highlight in here is there are going to be things that turn up that you need to be ready to deal with and with 80 or so workarounds, as there were, you're not going to have any capacity to deal with that.

Were you involved in assessing whether the management of a plan which was ultimately instituted was, in a practical sense, workable?---No.

Were you asked about whether in your experience such a management plan was practicable?---I was not explicitly asked though I did offer my opinion.

COMMISSIONER: What was the - - -?---Exactly as I've said. You're already placing yourself into a very, very risky situation and there is no way that your people are going to be able to deal with new things that will pop up. In any system like this you will find issues that you haven't found, no matter how good your system testing is, no matter how good your system integration testing is, no matter how good your UAT is there will be issues that you discover in production. The key is to make sure that you have the capacity and the processes in place to deal with that when it happens.

To who did you give that advice?---In the project directorate, it would have been to the project manager. I probably wouldn't have involved IBM in that sense because, you know, they weren't the ones who were effectively proposing to run with that. I can't say that I explicitly recall the conversation but I can certainly remember talking about it.

Was that conversations at project directorate meetings?---I would have been - see, the project directorate, there were times where I was involved with it and there were times where I wasn't so I can't recall exactly. There would have been a time, and I can recall sitting in a project directorate meeting where I would have voiced my concerns about having such a vast number of workarounds that we would have to deal with. Again, each individual workaround sure you can manage that, but when you build up, you know, in the 40s, 50s, 60s, whatever it was, the number of workarounds, just through sheer time you start to push the boundaries of what's possible.

MR HORTON: Can I take you further in your report to page 310, which seems to be your assessment as against the criteria which then existed? Is that correct? This is you applying the criteria to the facts you've discovered? ---Yes.

And some of the things you've got as reporting red - is that right - which is what?---Which highlights a major issue.

What I wanted to take you to is item 10, which is on page 314, about the business stakeholders agreeing they can execute and resource the full set of workarounds, see item 10 there in the red box?---Yes.

Is this your comment on the far right-hand side of that item, due to the large number of incomplete workarounds? ---I can't say that I explicitly wrote that. I might have written it from input from other people.

COMMISSIONER: Do you agree with it?---Well, yes, definitely, that's kind of what I've been just saying before. Basically, the workarounds were being developed but there were - basically, I think this is saying they hadn't yet finished designing the workarounds. This was like, "Yeah, don't worry about it, we'll get there," and you've got a list of 40 or whatever it was and 20 of which have been defined and signed off, "Okay, that should work." Interestingly, I'm almost certain, I can't say 100 per cent but I'd say it's 99 per cent, that at no stage were all of these workarounds tested to be used at the same time. You'd say, "Okay, can this person do this?" "Yeah, sure, that person can do that." And, "Can this other person do this?" "Yes, that other person can do that, but let's do a pay run and let's actually test all of these workarounds as part of that pay run and completion," I don't believe that ever happened.

MR HORTON: Did you have any involvement in change request 208, which altered the contract so that it was said that, "UAT for exit criteria has been achieved"?---I was not involved in any of the contractual stuff.

Could I take you then on to the document you referred to earlier, which is the management response to your report, and that's in volume 14. We're finished with that volume, Madam Associate, that's presently there. Sorry, Mr Cowan, it's page 380. I think the relevant pages for the purposes of your evidence start at 384, which is the schedule for the report. Is that your understanding, this is the substantive consideration of your report?---Mm'hm.

First of all, quality of system testing was one of your concerns raised in your report, and a response to that from Queensland Health was, "Well, that was an IBM responsibility," and Queensland Health said, "Well, was it visible to us," what happened in the system test. Then the response by IBM, which I think is over the page in fact under the heading System Test and System Integration Test is, "Well, it's been reviewed externally numerous times, including audited by KJ Ross," in the third dash which appears at the bottom right-hand side of 385?---Mm'hm.

I've asked you about that and I think you've said you've got no knowledge of that happening?---I'm not saying that it didn't, I just have no knowledge.

Just return to page 384, but over the page, UAT defect numbers?---Mm'hm.

"They shouldn't be lumped into a single bucket," it said in the middle of the page under the IBM response, "They include defects incorrectly raised due to a lack of tester knowledge." I think I've covered that?---Yes.

Is there anything else you wanted to say about that topic? ---Well, if I can - I guess just a little bit. What I discovered through the course of this program was that the tactic, if I may use the term, that was used to debunk the testing that we were - the results that we were discovering through the UAT was very much one of, "You need to be able to prove that, you cannot say that until you can prove that." Ultimately, the UAT is a pointer, it's an indicator, it's nothing more than that, so to start discussing, "Is this one defect truly a defect or not," in the context of this, yes, there were some defects that were incorrectly raised. Yes, there were some that were due to incorrect data and some duplicates, some, some, some. Total that the entire list of things that may not be particularly relevant, maximum 25 per cent, maximum. So you've still got 75 per cent of that number of defects that are highlighting that you've got some issue. That's why when they start talking about very specific numbers, I don't even want to go into it, it's not relevant, it's the fact that there are easily 300, 400, 500 defects there that are relevant that is the problem.

COMMISSIONER: When you mention "the tactic", about whom were you referring?---Bill Doak was a keen spammer, if you will. I was tasked - it ended up, basically, because there was such (indistinct) that I had, at every night at 9 pm, I would get on the system, "Pull out all of the data, all of the stats from the day and create a status report." Every evening I'd send out a status report, and there were numerous occasions where I'd come back in the morning where Mr Doak had spammed the entire distribution, which was 70, 80 people including board members, everyone, saying, "These numbers are crazy, this is ridiculous, you shouldn't be doing this," et cetera. I would take that into the project manager and say, "Look, do you want me to respond to this, because there's nothing about my stats that is incorrect." But to calm the situation down we would not respond or, you know, she would deal with the response in a more gentle way. That was a sense of the feel inside the project, which was terrible, it shouldn't have been that way, but obviously, you know, when you're feeling defensive or whatever it is, that's what you can do. So there were never - there were the occasional defects which would be questioned and challenged, that was fine, that's just a normal part in working in a project like this. Everyone has a different perspective and gradually you address those things and you put them in the right buckets, that's fine. But, again, it's about the total number that was the problem, it was not about the 10, 15 per cent that actually, yeah, were not really relevant.

MR HORTON: Can I take you on to page 386, please, the last relevant page. The K.J. Ross comment is a large number of open defects, Health responses. Well, these are the ones that are open, over the page, there are 63 severity 2s?---Mm'hm.

And the IBM response is on the right-hand side of those pages. IBM's fully participating in the defect management plan and so forth and I think you've covered off, haven't you, by saying you had reservations about the number and type of workarounds and with the concern also that there might be defects which have not been revealed in UAT? ---Absolutely. UAT is appointed and simply - if the UAT in this situation might have - if it found, like, 100, 150 business process issues, you know, I would have thought that was reasonable. You know? It's a complex system, business process wise, it makes - it's got a lot of integration points with the rest of the business, I would expect that would be reasonable, but when you see these sort of numbers of functional issues, yes, it is a problem.

And over the page at 388, the K.J. Ross concern on the left-hand side is total time spent in relation to UAT? ---Mm.

Health makes some comments but then the response from IBM on the right-hand side is in the last sentence.

> *An additional reason for the delays in UAT was the lack of an agreed baseline set of requirements to an agreed RTM.*

Requirements traceability matrix; is that what that stands for?---Yes.

They were a similar mechanism. Now, was there a requirements traceability matrix at this time?---The requirements traceability matrix was a contentious issue, not from the sense of should we have one. I struggle to understand how you could design an effective system test without having a requirements traceability matrix. The coverage of the system testing, functional testing should have been that to a requirements traceability matrix, which defines each function that we're going to implement and that these are the tests that cover those functions. That's what the matrix is all about. So to - the reason why it was contentious was that Queensland Health was concerned that should we sign off on a requirements traceability matrix at this late stage of the program, then effectively we are - we - I wasn't - I was neither here nor there. I could see that there was a particular advantage to it but the directorate, the members of Queensland Health and the directorate overall the concern about a requirements traceability matrix because effectively at this stage it would lock them in to

something that they didn't want to be locked in to. Now, should that - should there have been one, there should have been one at the very start. There should have been a very clear set of requirements defined at the very start that everyone could then work from. So I don't have input, you know, I don't - I can definitely say that should have been there from the very start, but at that late stage to write it, I think it was considered quite dangerous.

Now, I understand you don't have any knowledge or involvement in the contractual part of this case - - -? ---Mm'hm.

- - - but I'm just asking you in your general experience, from which side of the equation, or both, in terms of the contracting parties would you expect a requirements traceability matrix to emanate?---In this form of contract, I would expect that the actual documentation of the requirements traceability matrix would have come from the vendor but the input to it, the actual definition of what those requirements would be would have come from the company that has the requirements, which would be Queensland Health/CorpTech.

Now, is there anything else about this management plan response you wanted to mention? I think you mentioned something earlier. I just don't want to pass over it without - - -?---Yes, just on that, page 389, there's the pulling out of that quote about user acceptance testing and what it is there for in the Queensland Health response there. It says:

> *The goal of acceptance testing is to establish confidence in the system, part of the system or specific non-functional characteristics, ie usability of the system, acceptance testing is most often focused on a validation type of testing whereby we are trying to determine whether the system is fit for purpose. Finding defects should not be the main focus in acceptance testing.*

It's pulled out of a - what you call a testing Bible.

Yes. I don't think there's any IBM response to that. You would agree with that?---Oh, absolutely.

Yes. Thank you. We'll move off that document, if that's the evidence on that topic. I think I've covered Mr Cowan most of what I needed to cover. Could I take you to a note you prepared in consultation, I think, with Mr Inns? ---Mm'hm.

It's volume 10 of the bundle, page 180. It's a note of a meeting, I think, prepared by Mr Inns but the meeting is with you on the 1 September 2009?---That's correct.

And he was the author of this note, was he?---He was my - sorry?

He was the author of this note?---That's correct. I wasn't even aware that he had written this note.

Yes.

COMMISSIONER: Who is Mr Inns?---He is an internal audit, Queensland Health internal audit.

MR HORTON: What was his interest then in meeting with you about this issue?---Well, I had actually sought to meet with him. I was going very concerned about what was happening within the program and I was trying to leverage whatever mechanisms I could to try and highlight the risks that were being taken with it, with effectively our money.

Now, page 181 is a conclusion I'd like to ask you about. The first document:

> *Testing reflects UAT coverage which has not been sufficiently comprehensive. Have you got any confidence the business requirements will be fully met in the design of the SAP/Workbrain solution.*

What were the concerns that were raised about the design of the SAP/Workbrain solution or was it really its connection with the business requirements which was the concern?---Just let me have a quick read of this. Right. So effectively you would have an expectation that the - it always comes back to the same thing, that the bulk of the testing, the actual functionality of the system and how it meets the requirements as defined as wherever they had been defined, would have been confirmed by your system and systems integration testing. The user acceptance testing would - it says a system test coverage has not been sufficiently comprehensive to provide any confidence that the business requirements have been fully met, so what we're saying is that it was never designed to be fully comprehensive. UATs are not designed to be fully comprehensive. That fully comprehensive is what you expect to see in a system in a system integration test.

Now, would you just turn back in that same volume before we leave it to page 17, 17 of that same volume. I just want to ask you: is this an example of one of your daily report which you mentioned in your statement I think you mentioned in evidence before?---Yes, that's correct.

But the first page is final day of UAT 3, you say?---Yes.

And the first heading is "War Room"?---The war room was as I referred to at pay run, the group from CorpTech which were tasked - which was set up as a war room because we were having so many troubles actually getting the pay run

to run and complete, and so they set up the war room in order to do that, and you can see how many cycles we were trying to get through to actually - that was that table, their timing of pay runs, to show how we were proceeding with that.

Yes. And the next heading is "Workarounds", and at this stage I think you're looking at workarounds so far as they relate to severity 3 and 4 defects?---Yes.

And then - - -?---Actually, no, I wouldn't say that necessarily. You see severity 3 and 4 defects at the focus of review for training and documentation updates with IBM.

Yes?---So by definition, severity 3 and 4 were the sort of things that were not - I wouldn't say not - obviously severity 4 is pretty minor, but they may require that instead of the system having to press one button, you might have to press, "Go to a menu and do this," and the training material might not reflect that. The training material might say, "Press this one button." So they had to adjust the training materials, et cetera, to highlight - the system functioned differently as expected, but it still functioned.

Three, I think, was a minor defect and four was a cosmetic? ---Yes.

Then over the page to 18, you mention, "New defects discovered"?---Yes.

You have a heading there, "False or duplicate defects"? ---Correct. And this is where we actually - as I said, we were highlighting on a day-to-day basis which things we had discovered the previous day, that where it said, "Okay, this is not a defect. We'll deal with that, update a test case. We'll talk to the tester," whatever.

Who would decide whether something was false or duplicate? ---These were all things that were done in the defect management.

Then IBM defects - - -

COMMISSIONER: I'm sorry.

Who attended those meetings?---The test manager from IBM, CorpTech, finance, payroll, people at Queensland Health. It was a meeting - it varied sometimes between 10 people up to 20, depending on, you know, the sort of things we were trying to do.

MR HORTON: The way that worked, Mr Cowan, was, I think, the tester would categorise at the immediate level?---Yes.

There would be this meeting of which you've just spoken where there would be - - -?---Yes.

- - - an agreement about where things would be categorised and how?---Yes.

And then once the threshold is reached there might be a decision on severity and classification by more senior people?---Where it was identified by definition, you know - the project can bubble along pretty well getting things done, but if there was something that was identified as, "Oh, my gosh, that's a big, big problem," then it would be escalated, exactly.

Then at the bottom of the page you have a breakdown of sev 2 defects which open at 5 pm that day?---Yes.

And then you allocate them, it seems, between CorpTech, IBM and, in effect, Queensland Health?---Yes. You know, this was explicitly, as you'll see, by the very fact that we're listing a time. This is relevant because it was the final day of UAT 3 so we wanted to have a - call it a score card of actually where were things at that time which is - that particular chart was not part of my normal daily things, but it was particularly relevant in this case and particularly because we had an expectation - I'm sure if we looked at the documentation that there was an expectation from IBM that, "No, there will be none. These things will all be dealt with. It's all fixed," and so we needed to make sure that it was documented actually what was the state at this time.

So again, the allocation or the assignment of those defects between the various parties, was something done at the meeting of which you've spoken. Is that correct?---No. So with these sorts of things, this is all about work flow. So you can see the various dates down the left-hand side of that where it says, "Assigned, closed, not reproducible," et cetera.

Yes?---So again in "not reproducible" you're seeing evidence of defects that are found to be maybe not defects. We saw this. The tester said this happened, but we can't reproduce it, so we put it in that bucket, not reproducible. Closed, obviously, you know, we found the defect. IBM agreed. They fixed it. It's now closed. Assigned means it's still sitting with someone to do something.

Yes. That's the bit I wanted to ask you about. Who decides? At which level was it decided to whom that defect would be assigned?---That's just the - there's effectively a standard flow of the defects. So a tester would raise it and then it gets assigned to the defect manager. Once we have that defect meeting in the morning, in that meeting it says, "Okay. This looks like it's an IBM issue. We'll assign it to IBM," or, "It looks like it's something to do with the business process. Maybe we need to clarify that," so the things you'll see assigned inside QHEST, other than the closed ones, obviously because it was assigned back to the tester to retest. The things that are assigned to QHEST as assigned might be things like, "We need clarity on this particular process or this business rule. We're not really sure. We thought it was going to be like this, but you're telling us that there's a defect there. Please can you clarify?" So that's the sort of thing that would sit under that QHEST assigned.

Can you turn the page please, Mr Cowan. Just as an example of the graph, I think at the bottom of the page of page 19,

that's you mapping overtime, the open defects, those ones which have not been resolved?---Correct. Yes.

And then the next page, the bottom of the page on page 20, a graph of the severity 1 and severity 2 system defects over time, classified according to the party to whom they've been assigned. Is that right?---That's correct. So the key with that graph and it was actually a very, very useful graph was that it shows - what you want to see in a project like this is a trend. Right? You don't want to see defects just building up and building up. You want to see them. Start, okay, you'll find some and then they'll be managed. When you see that that's being managed and you don't get this huge bubble in the middle, it means that you're not getting - people aren't under stress to hurry up and deliver a solution because if they're under stress to hurry up and deliver a solution, they're likely to make more mistakes. You want them to be managed and that's where having more resources from IBM, for example, to deal with these things might have been a way to mitigate this because you would have kept these defects under control. Having said that, of course, the fact that the defects were there in the first place was the prime issue.

Could I just return to an earlier topic I asked you about and I was putting to you some of the deficiencies said to exist in the user acceptance testing? Do you agree that there was a lack of discrimination between errors in the system and missing functions or features which had not previously been communicated to IBM?

COMMISSIONER: Mr Horton, would you repeat that please.

MR HORTON: I'm sorry.

Was there a lack of discrimination by you or your team between errors in the system and missing functions or features which had not previously been communicated to IBM?---We had the defect management meeting every morning as a way of dealing with that, as a way of actually clearly giving everyone the opportunity to say, "Okay. Where does this sit?" I could say that it was very difficult for us to say, "Was it in the scope of the functionality as was requested?" because I don't think we had a very clear document that said, "This is the functionality that was requested." So it was very much a situation of, "Let's get in a room and understand where it is."

COMMISSIONER: What were you given to resolve those arguments? What documentation, I mean?---There was never a document. There was rarely an argument. The only time - this is what was quite interesting and where I kind of say, "The proof of the pudding is actually in what happened."

In the - - -?---In the day-to-day meetings we didn't have huge arguments about, "This was in scope," or, "This was

not." There would be a discussion and it would be like, "Yes. Okay. We can see that," or, "Fine. We'll take it back and we'll make sure that we define it." It was only as we approached the end of things where the numbers mattered that suddenly there would be this arching up and, "We need to change the severity of defects," or, "That's not in scope." That's when the pressure mounted and that's when you saw this sort of behaviour. In the day-to-day meetings there tended not to be - there were obviously the occasional ones, but there was not a huge push to say, "You guys have put 50 defects in that are actually out of scope or have not been included in the initial requirement."

At the end where that sub-point was raised and it was said that the defects weren't defects because they were matters that weren't in scope, did anyone produce a document - what did you call it, the requirement trace building matrix or something like that, to say, "This is what we had to do and these so-called defects are out of scope"?---Not to me because, in effect, that discussion is about the definition of scope of the requirements at the start of the project and our role in - - -

I know. At this point in time when you said your test results were being challenged on the basis of these things you were finding aren't defects, they're new requirements, they're out of scope, at that stage you were involved. Were you shown a document to settle the rival contentions? ---No, I was not, but that's where it was effectively taken away from me and the project manager would probably discuss that with the people who had initially defined the requirements and they would come back and say to me, "This is what we want you to make the defects. These are in scope. These are out of scope." So I was not present at the time when the requirements were defined. That happened before I started working in this role. I could bring very little value in that sort of discussion. It needed to be taken away. Our value add is in clearly defining what the issue is. So to try and become involved in a definition or analysis of what was defined as a requirement a year and a half ago and see is that sort of in that scope or not, is not where I could bring value.

I understand.

MR HORTON: That's the evidence-in-chief of Mr Cowan.

COMMISSIONER: Mr Kent?

MR KENT: Thank you, commissioner.

Can I ask you, Mr Cowan, do you have your statement there? ---Yes, sir.

Can I just take you firstly, please, to paragraph 22, which is on page 4? I'll just allow you to refresh your memory about that?---Yep.

You've been asked about a lot of things already. So, as you say, it wasn't your role to be making the call whether to go live or not, and I think you've already been taken to - there's a couple of options in your final report. I think you did reach the stage, as you've already explained, that further UAT wasn't going to be productive?---Exactly.

Or at least not in the sense of making a crucial decision to go live or not?---Correct.

So there was a possibility of going back and doing an earlier stage testing is what really you were recommending?---Yes.

Or making a bit of a difficult call and thinking, "Well, there could be other things we don't know about but perhaps there's other factors that are driving that conclusion," is that right?---Yes, it's often the case that testing is not aware of the business drivers to actually make a call for go live or not.

One that you did know about was the continuing concerns and perhaps escalating concerns about LATTICE?---I'd heard.

You weren't sort of directly involved in that, I presume? ---No, not at all.

You know that there was a thing called "the directorate", the project directorate?---Yes.

I presume you weren't actually a member of that, were you? ---On occasion, yes.

Did you attend meetings - - -?---Yes.

- - - without being an official member? Perhaps I'm making a lawyer's distinction?---I'm not so sure. Ultimately, I had a voice on the table every now and then, like, there were periods of months where I would be attending the meeting and then that would stop.

I suppose records would tell us, but did you attend the final meeting on the very early morning on 14 March that made the final decision to go live?---No, I was not at

Queensland Health at the time. I think I finished up, it would have been the end of January.

January. I understand. All right. Apart from LATTICE, you were privy to or involved in or I presume particularly interested in the other business risks that might have been other things that people had to take into account?---No, obviously I had a role which was about the risk inherent in the system.

The system itself. All right. The way that you describe it, and I think you've already said this today, but in paragraph 23 you respond to the QHIC project management response, and you respond to the IBM response at page 5 about the statements concerning the defects being, in your view, misinformed. What you really say is the number of defects identified in the testing remains or is still extraordinarily high?---Yes.

And that's the theme that you've been telling us about today?---It's the number and the type.

Right?---I would not expect to find functional defects.

Sorry, just tell us again, I'm sure you already have, but as you understand it, what are you meaning by a "functional defect"?---So where a system - where, for example, the pay run would actually deal with poor data that it would actually be robust and so when you actually say, "Execute," that it runs through without failure, without aborting.

In the bluntest terms, if you pushed the button it works? ---Yes.

Can I then get your response, please, to this comment? Someone said that the reporting by KJ Ross during user acceptance testing was formulaic and focused upon quantitative rather than qualitative measures of defects. Do you agree or disagree with that?---I would disagree. The very fact that we had severities in there would imply that there's some form of qualitative analysis. Equally, when you observe the report, as we have just done a couple of minutes ago, you'll note that there are tables and graphs but there are equally dot points which describe and analyse what those things actually did.

And you just told me a minute ago how you were concerned with functional defects, and further if someone commentated that the raw number of reported defects appeared to be the most significant factor in your testing, would you agree or disagree with that?---I tried to make sure that in my final report that I highlighted that the issue was not only the number of defects but equally the type of defects you would not have expected of that.

COMMISSIONER: But I think you said also the number was unusual?---The number is very unusual. The number, certainly, that was one thing that I disagreed it was the only thing.

MR KENT: And the way you've explained it today, as I understand it, is this: if there are a remaining certain number of defects that require workarounds, workarounds as the very name suggests, require a certain amount of manual work? You're nodding, you have to answer orally?---Sorry, yes, that's correct.

I take it you're agreeing with me. So as the problem when these accumulate too much, there's just too much work to do?---Yes, as I said, I'm not sure that there was ever a test that was done for these workarounds which involved them being executed as a unit, which obviously would be the thing that, in a software sense, you'd call it a "performance test". If you hammer the system with all of these things and you have all of these people having to do all of these manual workarounds, can they actually physically do that?

I think you told us earlier that when this was being discussed you verbalised your protest about this management plan not being workable, in your view, to the directorate, perhaps the project manager?---Yes. It certainly would have been the project manager.

The project manager, is that Ms Doherty?---Naomi Du Plessis.

Naomi Du Plessis? All right?---And Doherty prior to that, but at this stage obviously it was Naomi.

When you verbalised that concern of yours, to what effect did anything happen?---Not to my knowledge. I wouldn't expect that I would be aware of that, and I wouldn't expect necessarily for my voiced concern to have much weight in that sense. The weight of my statement was all about that final report, and it was very important for me to get that exactly the way that I wanted it. I guess my comments to her would have been trying to support her should she be thinking of, you know, taking that action further.

Did Ms Du Plessis - - -

COMMISSIONER: Mr Cowan, when I read that report for the first time it seemed to me, as a layman, to be saying, "Going ahead involves an enormously high risk." Is that what you meant to convey?---Absolutely. I could not believe that we were going to go live with so many open issues that were dealt with by workarounds where we hadn't even - the least that I would have thought was appropriate was to have truly demanded and analysed those system tests, when one of the things that was - sorry, I meant to say

that one of the things that was in that response was about the amount of time between the UAT starting back in the end of 2008 and it finishing at the beginning of 2010 - the amount of that you call "code churn", so the amount of coding that's being changed as a result of all of that testing and all of those defects brings an enormous amount of risk. In my current role, when I see that someone has gone and made changes to code, for a week I insist on re-system testing because that's what system testing does, it finds out these things for you that you have actually truly delivered the functionality you expect. To have a year go past where you haven't re-executed a comprehensive system test on a system like this was astounding. So, yes, exactly right, that report was trying to convey exactly that.

And the risk we're talking about, of course, is the risk that the system would not produce payrolls?---Or would produce incorrect.

MR KENT: And in terms of the length of time that you were with this project personally, I think you've told us it was March one year to January the next year?---Correct.

10 months, I think?---Yes.

But your firm was there for a bit longer than that in total. Is that correct?---I understand so, yes.

May I take you, please, to paragraph 34 of your statement on page 6? You say there that the result of the process that produced the defect and solution management plan was that if there was a workaround for a severity 2 defect, it could be left in place and a UAT could be exited. Do you express your disagreement to that, that modification to the exit criteria exclusively directed to support the change? ---Yes.

Can you tell me in what forum you expressed that disagreement? Was that - - -?---That was definitely in the project directorate.

In the project directorate meeting?---Yes.

And do you remember when that was?---Oh, gosh. I know it was in the Queensland - the Queen Street building. I remember that corner office that they held. I couldn't give you a date now. I guess the dates of when those decisions were made would probably have gone to that.

And when you say you were explicitly directed to support the change, is that something that came from the directorate as a whole or - - -?---Yes.

- - - one person?---No, from the directorate as a whole. Basically the directorate made a decision, you voice your disagreement with it, but if the decision is the decision, then you go with that.

Okay. Now, if I take you, please, to paragraph 40, this is something I think you've been taken to, the file note prepared by Mr Inns?---Yes.

What you say is you recall having a number of conversations with him where you treated him - you used his profile to raise the concerns to the project board. Right?---Yes.

Do you know to what, if any, effect, did anything change as a result of that?---Certainly in the - at the time, I didn't see any effect. I was not sure what he done. As I said, I was surprised that he prepared that document.

Decently surprised, I presume?---Yes, exactly.

Finally, may I take you briefly to paragraph 32. You described there the fact that there are criteria for both entering and exiting UAT?---Yes.

I'll just pause there and have you clarify that. Is what you're saying that the system has to work to a certain specification or a certain degree before UAT should even be commenced?---Exactly. So you would expect that's the whole point of the system with system integration testing is that you know that the system theoretically the concept is the

system could go live, that functionally it all hangs together, it all runs, it works. Does it work exactly the way that you expected it to is what your user acceptance testing is kind of trying to find out, but it's - - -

So you have a working system - - -?---Yes.

- - - and then UAT is about where everything is at with the business and work in that environment?---Exactly.

Similar comments apply to exiting UAT. Once that is satisfied, then it can be exited?---Yes.

But what you then go on to say is that it caused - the classification of defects is a criteria for entering and exiting, the way in which they're defined is, in your view, critical. Correct?---Yes.

And what you say is it's very unusual, in your experience, for defects to be redefined or reclassified, especially if it's for the purposes of achieving exit criteria, I suppose?---Absolutely. So on bulk, so, you know, it's normal that in those daily meetings, you know, you have a defect, the tester thought it was a severity 2 and when you actually look into it and you have the people in the room who can give a context, they might say, "Oh, well, actually, no," you know, "if you just do this and this then you can make it work." Okay, fine, we'll reduce it to a severity 3. So in that sense, that makes sense. That's business as usual. But to purely for the sake of hitting a criteria to change the severity levels of defects is - there's no point having criteria if that's what you're going to do.

And you're saying that was what was driving these re-definitions?---Absolutely.

Because you were in the meetings where this was going on? ---Yes.

These are the daily meetings that you're talking about? ---Yes. Oh, well, no, no - oh, sorry.

No?---The bulk reclassification of defects in order to achieve the criteria, that was something that was decided in the directorate, that was nothing to do with the daily meetings.

Right, right, okay. Were you present, though - - -?---Yes.

- - - in directorate meetings when that's been discussed? ---Yes.

As you perceive those discussions, they were explicitly for the purpose of achieving exiting of UAT?---In some cases,

entering. So the 40 severity 2 defects were reduced to priority 3 - severity 3, priority 1 defects. That was to enter the UAT and then similar things for exit.

Thank you, commissioner.

COMMISSIONER: Thank you. Mr Traves?

MR TRAVES: Mr Cowan, have you had a chance to see a report which we've been provided with from a Mr Manfield, David Manfield or - - -?---I don't think so.

- - - Dr Manfield?---I don't believe so.

There's something in it which I thought at least from my perspective is useful. It described the testing of a system such as this as following a standard verification and validation process represented by a V curve?---Yes, V model.

Are you a familiar with that concept?---Yes, a V model.

And on the left-hand side, I take it one starts at the top of the V on the left-hand side and that I think you characterise as a position where business requirements are being taken from the customer?---The high-level ones.

The high-level ones?---Mm'hm.

And could you explanation the concept to us?---Sure. So basically it's about coming down into further granularity of what you're trying to do on the left-hand side, so the definition of what it is that you want and then on the - at the very bottom of the V is your - the actually development, the implementation. And then what you're trying to do is you're lining up the different types of tests with the equivalent types of requirements on the left-hand side.

COMMISSIONER: And what's at the bottom, that's the - - -? ---The development.

That's the code, is it?---That's the code, yes.

The frame of the code?---Yeah. Configuration/code.

MR TRAVES: And that moves up the other side?---Exactly.

And the right-hand side of the V is the testing program? ---Exactly.

And the way Dr Manfield puts it, and I'm very happy to show you this if you'd like to see it, it is to say that looking from a - he puts it from the top down but if I do it from the bottom up, unit testing, system testing, system

integration testing, EE testing, performance testing different forms and finally UAT?---Correct. There are different slightly - people have different sort of interpretations of the V model, but yes, it's all based on the same sort of thing.

All right. And the point I think you were seeking to make and indeed successfully was that the UAT was the final test, it was effectively a sort of test which was like a report card, if you like, on everything which had preceded beforehand?---Absolutely. You'll see symptoms there but you won't identify - the bulk of the investigation, the validation and verification that he's talking about is all done at those bottom levels.

Now, the initial UAT was conducted, I think, sometime during 2008?---Yes.

Can you help us as to about when that was?---Oh, gosh. I think it was tried December 2008 I think was the start.

At that point in time when the first UAT was conducted, there was already evident many, many problems within the system?---Yes.

And then I take it there were steps taken to try and fix those and then another UAT would be conducted?---I understand that's the case, yes.

And finally the fourth one. I just wondered if - can you give us any sense as to how far back into the system one would need to go in order to get to the bottom of the problems and then proceed out again up the right side of the V through the testing program?---Well, as according to the final report that I delivered, system testing would give you a very clear view of where your functional issues are, so you would normally just do unit testing as part of your development process. You know? It's - you can have tools, which means you can actually automate that and re-execute it whenever you want, but as a general rule, if you develop something, that's when you do your unit testing. So you probably wouldn't go back to that level, but the system functional testing, that's where you would have found the true state - quality state of the system by going down to that level.

To come back to the V and the order of testing that I mentioned to you, system testing was the second set of testing after unit testing?---Correct.

So you really have to go back very close to the start of the testing program - - -?---Yes.

- - - and conduct - would they be significant tests and time consuming and so on?---40,000 of them, so, yes.

COMMISSIONER: 40,000 tests?---Yes.

MR TRAVES: Over what period would that be conducted in? ---Gosh. It depends on how many people. Right? I can't give you that sort of information. That's certainly information that IBM would have.

Would you have some idea as to the length of time that testing took in the first - - -?---Normally, a tester might be able to get through, on a good day, 30 tests, so, I don't know, do the maths.

It's a big exercise?---It's a big exercise.

Then had that been conducted, what you would have expected to have been found, given the UAT problems, was a series of defects occurred. You would expect to find defects at that point in time, wouldn't you?---In the system testing?

Yes?---Yes, absolutely. I'm sure they would have found most of the - most of the issues that we found in UAT, they would have found on system testing before we got them.

The sense I have of your evidence is that there would have been many defects found?---At least as many as we found and probably two or three times as many.

Which might then cause you to go back and beyond the unit testing and, in my layman's terms, have to proceed some way up the left-hand side of the V in order to reprogram the whole project?---It's interesting. This is where - testing won't tell you where your requirements aren't correct. So system testing will only tell you if the system has accurately reflected the requirements that you defined. So UAT would tell you, "Hang on a second. You haven't told us anything about visiting medical officers in far north Queensland. They've got a special particular award. We don't know anything about that." System testing won't tell you about that because that was never defined in the scope of system testing. Right? So it was never defined that they didn't program it and as a result they also didn't test it. So you'll get your - this is where the requirements traceability matrix comes in. You have a list of requirements. You then write test cases in system testing specifically against that list of requirements and

then you can say, "Yes, the system hits all of the requirements as we've expected it to." If there's a requirement that's missing, system testing won't find that.

I guess the point I was really trying to articulate was this: one sense is looking at the way the project progressed, that the problems ultimately which caused the mishap were very deep rooted indeed?---Yes.

They were deep rooted?---I would go as far to say that they're as deep as it's far too complex a system. The awards, the way the structure is, everything to do with Queensland Health pay is far, far, far too complex and as a result it was a mammoth task to try and write a system that could cope with it. However, to answer more clearly your question, yes, the clear definition of the requirements is always the hardest part of a project, especially a project like this. Unfortunately, what tends to happen, and probably did happen on this occasion, is that the statement was made, "Please just give us a system that works like the old one." Right? That seems like it's the simplest thing in the world, but I have seen five or six different big systems implemented based on that and not one of them has been successful because everyone - if you need to tell me just that and expect that I'll therefore be able to reverse engineer out of the old system all of the things that it does instead of defining from the very start exactly what is it that you want me to do, you're bound for failure.

If I might continue, that being the case, in order to arrive at a system which was satisfactory, really, is it your view, involved something like starting again?---I think that you would have to start - you would have to go back to the start. I'm sure that there was a lot of stuff that was valuable already having been done, but I think that, yes, you would have to go back to the and at least redo a lot of the stuff that probably hadn't been done as effectively as it might have been done at the start.

COMMISSIONER: Mr Traves, at what point in time is your question directed?

MR TRAVES: The proposition I was putting was that it would go back, effectively, to another attempt at the system requirements and so on?---Absolutely.

COMMISSIONER: You mean as a result of the UAT?

MR TRAVES: No. If one was to have conducted system testing, it would have revealed deep rooted problems indeed within the project.

COMMISSIONER: And you say at that point one had to go back?

MR TRAVES: And at that point one would need - it would be realised that one would need to go back to redefining or redoing the system classifications or system requirements in order, indeed, to proceed then again through the whole process to produce a satisfactory product. That was the - - -?---Again, I'd highlight that system testing will not tell you where you have not captured requirements.

No. So that you'd need to go further back again?---The UAT - - -

COMMISSIONER: I think you're at cross-purposes. You're saying that the system testing will tell you if the system you have got is your (indistinct) universe works, but it won't tell you if something has been left out of the universe?---Absolutely. So you very correctly on a one-to-end relationship write test cases against requirements as you have defined. So if you are missing 10 requirements, your system testing will pass with flying colours.

To take up Mr Traves' proposition, if in systems testing you get a series of failures - - -?---Yes.

- - - and the system is dysfunction for some reason, what then is the proper response?---That you would then go deeper into those requirements, not look for additional ones. So, you know, this requirement might be that the roster can take 40 hours - you know, can deal with a 40-hour week. Your system testing might say: what happens when we enter a 50-hour week? The system falls over. Okay. Let's go deeper into that requirement and understand what we truly mean by that rostering. Okay. A roster is an amount of time that is completely flexible probably up to 120 hours or however many hours there are in a week. Okay. So that's now our requirement and we got the requirement wrong, though it was - let's say we got the requirement incomplete by saying it's only a 40-hour week, but if there's something that says: the system should be able to have rosters implemented or inputted over the Internet, that's got nothing to do with that requirement and, you know, if you don't have that written down somewhere you'll completely miss it and system testing will not find it.

MR TRAVES: Okay. So you go back to system testing. That might reveal that some requirements need to be better defined, that they're inadequately defined - - -?---Yes.

- - - and then again there's another category which, in respect to which there's no requirement as yet which the system testing wouldn't pick up?---Exactly.

In any event, what would have happened would have been that the system testing would have pushed the project back up the left-hand side of the V, if you like, into that part of

the V, that is the down stroke which describes the requirements specification process?---Yes.

You'd have to go back up into that somewhere and see how far back up you'd have to go in order to fix the problems? ---Yes, exactly.

All right. Could I just ask you some questions first about your report, if I may, very briefly, in volume 14 at page 283. If you'd just look at the executive summary? ---Sorry, what was the page again?

COMMISSIONER: 283.

MR TRAVES: Page 1 of your - yes, 483 in the - sorry, 283, in volume 14?---Okay.

I'm sorry. I'm looking at another copy of your report. If you would go to page 1 of it. I'm sorry.

COMMISSIONER: Is that volume 14?

MR TRAVES: No. I'm being told I'm wrong about that. I'm sorry. It's volume 13, but the same page.

Sorry, Mr Cowan?---There's a lot of documents.

Yes?---Okay.

So I'm just at page 1 of your executive summary and the first point, of course, three or so paragraphs from the bottom, you've recommended that the project has derived as much benefit from UAT as possible, which I suspect was you throwing your hands in the air with UAT and saying, "Well, it's done its job. You haven't solved the problems, but it's identified that there are problems"?---Yes.

And then the two options you express there under, is it fair to say that you've expressed those - you don't, in respect of those two options, form a view as to what the better alternative is?---Well, I don't know.

It may not have been your role to do so?---Yeah, I wanted to - certainly, I know that what I - from a truly software development perspective, it was very obvious that number 1 is the way that it should be done. But there are always business constraints and business requirements that might mean that you don't do what would be the best option with regards to software development, and that is that we wanted to make sure that there was an option available that people could say, "We just have to go live," and then in that case we needed to make sure that they understood the risk inherent in that decision.

COMMISSIONER: Mr Cowan, when you say in option 1 there should be an option as to wait until there's a full system integration tests, is that the sort of test you've described to me already or were you talking about a parallel pay run?---No, again, a parallel pay run would be another - would be a different - call it a "different way of implementing the whole program". This is talking about specifically what I've described before, and effectively saying - - -

Redo it?--- - - - either IBM re-do it or any other provider could have also redone it. In a sense, in this sort of situation, a third party provider to execute that based on the test cases that had been developed by the vendor I think would have been the best solution because then you get a great analysis of the quality both of the test cases and of the system under test.

Yes, thank you.

MR TRAVES: I don't need you to look at that any further, but if you would go to volume 14, page 380, which is the project management response. Now that you've got the document, could you go to page 390? You see the two columns there, and at the second box down, "The KJ Ross report recommended two options," and I think that's - - -? ---Yes.

- - - a reference to the two options we just talked about. In the right-hand column:

> *The project directorate agrees that there is a residual risk to continue into production with the number of severity 2 open defects, however option 1 presents an equal or greater risk within the Legacy system environment to delay the go live, such as the contingency support nature…*

Have you got a comment about that? Do you have a view about that?---Again, it's exactly the sort of thing that I referred to saying there are business comparatives that - especially in my role there but equally that I was not aware of, so that's why we try not to make an absolute statement about you should or should not go live, our job is to make sure we communicate the risk and we expect that the people in charge like the directorate can weight that up against what other business imperatives there may be.

And you hadn't been asked to look at the risk involved in remaining with the LATTICE system, I take it?---No, not at all.

And then volume 15, at page 14, if you would? You may well have a similar response. Page 16, so over the page there, under "Executive Summary"?---Mm'hm.

> *The conclusion drawn from the overall analysis… is that the QHIC solution should provide a lower operational risk than the current LATTICE ESP payroll system…*

Are you in a position to comment upon that?---What I would say is: our report explicitly told - communicated that we had no ability to assess the risk in the system. It's one thing to say - for example, if we had done a comprehensive system test and we had identified that there are a definite known number of open defects, then we have a known state. What our UAT showed and what the report tried to communicate was - all we can say is there's a lot of things there that probably haven't yet been discovered, so to try and actually say one system is more risky than the other is a big leap of faith, I would suggest.

All right. And you certainly were unable to do so?---Yes.

I just want to direct your attention to some documents that either reflect the reasoning of the board at the go live decision time which were provided to the board before the go live decision. Volume 15, at page 213, do you see that document's dated 14 March and it's a brief for decision from the directorate. It's not a document which I expect you to have seen before - - -?---No.

- - - but you'll see the recommendation is that the Queensland Health implementation of continuity program board approved business go live, and then there's a background summary which I don't think you need to concern yourself with. Under "Status", you'll see an extraordinary project directorate meeting was held on 14 March to assess the business go live criteria?---Yes.

And then the next dot point, "The project directorate assessed that all but one criterion had been met, namely," and then there's a series of dot points there. Are they

matters upon which you can comment? Can you say if you agree or disagree with that?---Well, I would suggest that - I don't see anything in there about UAT or testing. I'm not aware of what the criterion that they're referring to were. Unacceptable user response times. No, all I can say is that, you know, quality of the system and its functional performance doesn't seem to be a part of their criterion.

I think in view of your answers, Mr Cowan, it might not be necessary to take you to the other documents. If I can summarise your views in this way: you understand the decision was made subsequently to go live, obviously? ---Yes.

You had big concerns about the risk involved in doing so? ---Yes.

But you're not in a position, really, to assess whether one decision or the other was the correct one because you've not been asked to nor have you taken or familiarised yourself with the extent of the problems with LATTICE? ---That's correct.

Thank you.

COMMISSIONER: Mr Ambrose.

MR AMBROSE: Mr Cowan, if I can see if I can summarise what I understood to be your evidence. Before go live, given then number of defects and the type of defects, it was likely that additional functional defects would be revealed after go live?---Correct.

That one, therefore, could not predict (1) how severe those defects might be; or (2) what consequences would flow from those defects?---Correct.

Is it fair to say that it was no surprise to you that the replacement payroll system failed as it did?---Correct.

You were asked to look at volume 15 at 213. Do you still have that before you?---Yes, sir.

Under the heading Status, it says on the second bullet point, "The project directorate assessed that all but one criterion had been met," and mainly these are the ones that they say have been met. Have a look at the second last one. Do you agree that payroll, agency and payroll are ready for go live?---I guess I'd have to understand the term "ready". You know, "ready" means people are trained. I would suggest that the system had a lot of residual risk, that's probably as much as I could add to that, sorry.

Thank you.

COMMISSIONER: Mr Sullivan.

MR SULLIVAN: Thank you, commissioner. Mr Cowan, can I just take you to your statement and just take you to paragraph 5, please? Can you identify when it was that meeting with Mr Burns and Mr Price had occurred, approximately?---I would expect it was on my first day there.

Okay. About what date was that?---March. I can't give you a - the date for that. I could probably find out in that exact date but it was in March sometime.

And you recall either Mr Burns or Mr Price telling you, and I think you've got it in quotations that part of your role was to "keep those IBM bastards honest"?---Yeah. I mean, it was said, there was certainly a concern on their part that IBM had a lot of firepower with regards to proper process when it came to testing and that they needed some counter for that so that when the people at IBM were saying, "Well, this is the way it should be done," that they would actually have their own voice and be able to say, "Well, actually, no, this is the way it should be done."

Did you understand not just from that comment but from that initial meeting that they were asking you to perform your job thoroughly and robustly?---Absolutely. They made it very clear that it was going to be a very challenging role because there were some very committed people on the IBM side and that it would probably be a more - it wasn't just a matter that the technology or the best process - there was much more to the role than just that; it was also to deal with the people.

Okay. If I can take you further on in that paragraph, you say towards the end that you remember feeling sorry for Tony Price because he was trying so hard to push the project in the right direction?---Correct.

Now, in making that comment, is that a comment viewing from the position of the things that you were doing and what you were observing Mr Price doing in relation to concerns you had?---Correct. It was - obviously I can only comment on what I saw him doing based on what I personally witnessed, but equally the discussions that I had with him, so I perceived myself, rightly or wrongly, to be his eyes and ears on the ground when it came to the quality of the system, so I would, on numerous occasions, have direct one-on-one discussions with him where I would be explaining to him why what we were seeing was of concern and he would then try to push things in that direction. I saw that within the directorate especially.

That's what I was going to ask you, Mr Cowan. You attend some directorate meetings - - -?---Yes.

- - - and you did observe Mr Price in those meetings? ---Yes.

And was he putting forward the concerns that you were raising

with him in those meetings to others?---Yes.

Was he in some circumstances sometimes a lone voice in relation to those concerns - - -?---Yes.

- - - or did others support him?---Well, I mean, I think that - you could say that Terry would support him.

That's Terry Burns?---Terry Burns, when he was there. There was a - I really got the impression that Tony Price and Terry were a couple of guys who were trying to, you know, as I said, push the project in the right direction. There were certainly other approaches being exhibited in those meetings.

COMMISSIONER: What other approaches?---Well, different people had their - you know, their different opinions about what was important or not and as a result - and that's not necessarily bad. I mean, that's the whole point of having a directorate. Right? But at the same time, a lot of the time people had their own barrow to push, if you will, so obviously CorpTech were concerned primarily with what CorpTech things were and were less concerned if the pay run or if the payroll itself wasn't great then, you know, that was - they left that up to the Queensland Health people in the directorate to worry about and weren't particularly, in my perception, interested in supporting one way or the other.

MR TRAVES: But did you observe that this sometimes led to animated responses by people in respect of matters which Mr Price was putting up?---Animated would be a very, very polite way of saying it.

Well, let's use the unpolite way of saying it. What did you observe in relation to when Mr Price would raise concerns that you're raising?---Personally, I've never seen a vendor behave so rudely or aggressively towards - - -

COMMISSIONER: Who are we talking about?---John Gower in those meetings. John Gower's a very, very strong personality and I don't know the mandate he was given by IBM in this case, so I can't say whether he was doing exactly what the company was asking him to do, but there were times where there were very, very - I became very, very uncomfortable sitting in those meetings because of the tension that was openly exhibited between - not - primarily between Tony Price and John Gower but - yeah, I would say they were probably the two main players in that.

MR TRAVES: And this was in respect of matters that were concerns you had raised with Mr Price and then he would be the person who raised them in the meeting?---Primarily but not only. Obviously there were other things that he would be raising that were not necessarily to do with the UAT.

Were you aware that he was removed in fact as chairman of the directorate sometime in mid-2009?---Yes, which is part of the comment that I made in my statement, that I perceived that was as a result of him actually trying to do the right thing and, you know, somehow it backfiring on him somehow.

And the person who was then put in place was Mr James Brown of CorpTech. Is that correct?---Yes, yes, that's correct.

That was around about July, thereabouts, of 2009?---Yes, and at that stage I began to have a lot less to do with the project directorate.

No further questions. Thank you, commissioner.

COMMISSIONER: You described Mr Gower, I think, as rude and aggressive. I'm not so concerned for the moment with his demeanour but what were the points of view that he was putting forcefully?---I got the - he was pushing very much the perspective from an IBM perspective - the whole - his views were very much from an IBM perspective and what - I always had the impression that it was - that - and that's why, sorry, I made the comment about I don't know what mandate he was given by the company, so I always got the impression that the things that he was saying was very much directed explicitly at protecting the company and ensuring that there was always going to be a win on the IBM side, not necessarily that the project would complete successfully. I guess that's the easiest way to draw this out.

I see. Thank you. Mr Cregan.

MR CREGAN: Mr Cowan, just a few things. We were talking before about the stages of testing with unit testing and integration testing, systems testing, systems integration testing, user acceptance testing at the end of the day, but there may also be performance testing, all the things that go in?---Correct, that's right.

Those would generally take place in other - in different environments?---Yes.

So the development testing - - -?---Yes.

- - - would take place in the sandpit, I think it's sometimes called, or the play pen - - -?---Correct, yes.

- - - something like that.

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

MR CREGAN: Of course, commissioner. That would take place in the play pen or the sand pit, or something like that?---In different environments, yes.

Sorry, I'm talking about the development?---Yes. Well, I mean, you would probably also just call it the development environment.

Right. That would then go and be deployed as a separate environment called the system testing environment? ---Correct.

And from there it would go to the systems integration testing environment?---Yes.

Right. And then it would go from there to our user acceptance testing?---Correct.

And there were two environments for user acceptance testing?---Yes. I can't recall the exact situation but it's very likely that there was, yes.

All right. And when things move between these environments is it right to say that essentially developers will come up with a build?---Yes.

And that will be, in essence, a version number of the software?---Correct.

So they will get to build - we'll call it build 5?---Mm'hm.

And then that would be deployed from the development environment to the systems test environment, systems integration test environment - - -?---Correct.

- - - user acceptance, and so on?---Yes.

And so when there are a series of changes, then go through that process - - -?---Yes.

- - - again?---Yes.

Okay. At the user acceptance testing end the purpose of it - and we've heard a bit about this and I'm going to put some general statements to you. It shouldn't be too controversial?---Sure.

Its purpose is to verify the system meets user requirements as specified?---No. The purpose of the UAT is to measure that the system works within the business processes.

Right?---The user requirements are things that are used to effectively take design from and they will tend to be - tend to be - tested in the systems test.

Sorry. Let me put it another way. The UAT simulates the user environment that they're going to have - - -?---Yes.

- - - and the idea is to look at the business processes and how they work in that environment?---Yes, yes.

The idea of UAT is to get to a point where the customer can accept the system?---The idea of the UAT is to accept the system, not necessarily to get to a point. The whole purpose of - as soon as you start saying that, what tends to happen is for every defect - I guess, if I may very quickly, for every defect that you discover so late in the process, there's an enormous cost which is the whole reason software development is designed the way that it is, that you define all your requirements very clearly up the front so as soon as possible you do your testing up that V model, as was mentioned - so as soon as possible you discover there's some issues. If you wait till the user acceptance test, basically after everything has been coded, everything has been done, to say, "Hang on, that requirement isn't right," it's way, way, way too late and there's a huge cost to fix that. The idea of user acceptance testing is not to eventually get there. It's not an iterative process. By the time you get to user acceptance test, you should be saying, "This system can go live."

Sorry. I think we're talking about the same thing?---Okay.

Essentially, you want to get the customer to be able to accept the system and for them to test if they can accept the system?---Yes, yes.

Is it right to say that understanding intimately the business processes is what you need to do at that point? ---Yes, to actually use the business processes, exactly.

Around the system?---Yes.

And there'll be modifications to the business process. I think you give examples of moving of fax machines - - -? ---It can be. Yes, exactly.

The idea of this can be in the Queensland Health circumstances to have detailed relevant permutations and combinations of users and their unique profiles the way they're going to use the system to test it out?---It can be, but not comprehensive.

If you want to work out, you know, there's a group of nurses and they're going through, that will be a classic case?---Yes, but, for example, there may be a nurse - you might have
10 different types of nurses, so you might not need - in a UAT you wouldn't have the 10 different - you wouldn't be sure to have the 10 different types of nurses. You might only do two of them.

It would be optimal to have 10, though, all of them to test the whole system?---Well, ultimately it's all about cost. Right? That's why you do the testing the way that you do as well because you don't want to repeat - all of the stuff that you've done in system tests, you don't want to repeat in user acceptance test because it's an unnecessary expense. It takes way too long. As I mentioned, I think in this situation, the system test had like 40,000 test cases. We weren't going to have 40,000 test cases in UAT. That would be a complete waste. We have an expectation that that has been done and we just do the acceptance of it so it's not that you try and achieve every combination and permutation, no.

But that would be optimal, if you could?---It would not be optimal from a financial perspective.

But from a system test perspective it would - - -?---From a system - - -

Sorry, I - - -

COMMISSIONER: It's not system - that's the whole point Mr Cowan has been making.

MR CREGAN: Sorry, your Honour?---This is what I'm trying to say: in the system testing, absolutely.

I'm sorry, I used the wrong word?---But in user acceptance testing - - -

At the end you want to know that everything you're going to do on the system works and if you can test everything you want to do on the system, that's the best outcome?---And that's what system testing is for.

But you would do it also in user acceptance testing?---No, you would not.

You'd go through the processes?---You would go through a process, but a process is different to testing every

combination and permutation. A process means for a group of nurses I throw in a roster and it works. The business process works. It's different to say: I want to make sure that in this thing that that nurse with this particular configuration has worked correctly. That's what happens in system testing which is why system testing has 40,000 test cases and why user acceptance testing might have two.

Okay. So, therefore, to test out these smaller aspects you would need to come up with test scripts and test cases? ---Yes, yes.

Those would be tied in the usual course back to requirements that had been set out?---Yes, yes.

Through a requirement traceability matrix?---Yes. And, as I've mentioned, that's particularly important in your system testing.

But also at the end at UAT?---No. Again, because the requirements traceability matrix is to guarantee coverage. That's the whole point of it that you can say, especially when you're executing tests, "This test has passed. This test has passed, so therefore those requirements are met, but this test failed." "That requirement, it traces back - that requirement has a problem." So at the end of your system testing you can clearly see what functionality in the system is working and what functionality is not from a user perspective. That's that requirement traceability matrix. Because you're not trying to get 100 per cent coverage in your UAT, that's never the intent. The concept of the requirements traceability matrix trying to show what is the actual state of the system after a UAT is not something that is managed by a requirements traceability matrix.

COMMISSIONER: Then what's the process by which you come up with a test script for UAT?---You highlight the critical ones. So you talk to your SME's and then you say, "Okay. What things do you normally do in your day? Okay. You do this, that and that." Okay. And you sit down and it takes - it can take weeks, months, but basically you come up with that and you may use the requirements traceability matrix as the way that you can then prioritise those things especially if you have it. Sure, you get the list of requirements and you say, "These are our critical ones. Okay. We'll do that," but you rarely, rarely, rarely in a UAT do you try and get 100 per cent coverage of all your requirements.

MR CREGAN: I think you were tying that question to my last question?---Okay. Sorry.

In a requirements traceability matrix it's not uncommon to have the test cases and the test scripts to be the last - - -?---Correct.

- - - column of a spreadsheet. So it will say, "The business requirement, the functional spec," and going down levels of detail.

Yes?---And eventually you get to a level in the final column will be, "Test script 7"?---Yes.

And that will be - if I'm not putting too simple a point on it - something like, "Pictures of screens, click here, click here, type in Mr Bob Jones, type his address in, click next, that kind of thing"?---Yes. Correct.

That's a test script?---Yes.

Those will be tied to different functionalities?---Yes.

In this case there was a requirements traceability matrix, wasn't there?---There were discussions about one. I honestly can't remember if one was ever written and based on what we've seen earlier, it seemed to be that it was contentious so it was not written.

It was contentious because it was written, wasn't it?---I'm not sure. I thought that in the - - -

You said before Queensland Health wouldn't sign off on it? ---No. I didn't say that. I said that they wouldn't even partake in actually writing it.

They didn't want to be tied down?---I'm not trying to be difficult here. I just can't remember.

Okay?---But I thought that one of the things that we noted earlier was that it explicitly said that the requirements traceability matrix was not done.

COMMISSIONER: But didn't the IBM response say there wasn't one?---Yes. That's what I thought.

MR CREGAN: No, there is one, commissioner.

COMMISSIONER: Maybe there is, but the IBM response at the time said there wasn't one, I thought. Where do I find that document? It's the - - -

MR CREGAN: The response to the report.

COMMISSIONER: - - - response to the KJ Ross.

MR CREGAN: That, commissioner, is in volume 14, I believe.

COMMISSIONER: Thank you. At 384, I'm told.

MR CREGAN: Yes.

COMMISSIONER: I'll just check it rather than go from memory.

MR CREGAN: Commissioner, I believe it's at page 385.

COMMISSIONER: Thank you.

MR CREGAN: And it's at the bottom of the IBM response. It's page 6 of 12, "At no stage" - this is the system test and

system integration test - "at no stage during or after system test and - was a strategy (indistinct) question. All testing was performed against a clear requirement traceability matrix and this coverage was confirmed by KJ Ross during their own audit?---Yes, but if you look at 388 it says, "It should also - - - "

A total of 3000 test cases?---But we'd never see that because that was the system testing. At the bottom of 388, in that column, it should also be noted that an additional reason for delays, it was a lack of an agreed baseline set of requirements through an agreed RTM. So agreed, maybe it was authored but it was not agreed.

I understand. But when you say "it was never seen", KJ Ross saw it?---That I'm not aware of.

COMMISSIONER: Did you see it?---No, I did not.

You didn't assess it?---I think that there's two different things here, right, there's the RTM that was possibly used for the system testing. What happened inside IBM, again, it was very much a black box. Let's say from a project perspective, it may be that there was an audit done by KJ Ross, which I wasn't involved with and I don't think anyone in the room was so I don't think we can go here, but in terms of - - -

MR CREGAN: Do you know what was conducted?---That I don't even know, I'm sorry. I was a contractor to KJ Ross, so I was not actually part of the KJ Ross family so I don't have intimate knowledge of what happened inside KJ Ross.

All right. So you couldn't reject the suggestion that - - -?---No.

- - - KJ audited it?---Neither way. Either way, I'm not saying it happened or not.

All right.

COMMISSIONER: Let's not play games here, Mr Cregan. Who do you say in KJ Ross confirmed the audit by reference to a requirements tracability matrix?

MR CREGAN: Mr Commissioner, we can put on material about that. I have, if it assists - - -

COMMISSIONER: Just answer my question. We can check it out. Who do you say KJ Ross audited the testing by reference to a clear requirements tracability matrix?

MR CREGAN: Commissioner, understand that the QHIC system test and SIT completion report has been provided to the commission. I can hand a copy to you, if you'd like, now and it deals with this in the document itself.

COMMISSIONER: All right. Thank you. Mr Horton, you've seen this, haven't you?

MR HORTON: It's just been delivered this morning in response to a request made on the 29th of last month.

COMMISSIONER: That's not good.

MR HORTON: The witness hasn't seen it and it's important to him as well, but I'll suggest at the end that he be provided with a copy and return to evidence if it changes his evidence in any way.

COMMISSIONER: All right. Have you got a copy? All right. The QHIC system tests and SIT completion report, 27 April 2009, will be exhibit 102, I think it is.

ADMITTED AND MARKED: "EXHIBIT 102"

COMMISSIONER: Yes, I'm sorry, I interrupted you.

MR CREGAN: We may as well deal with that now, Commissioner. If I could ask you to take up that document, Mr Cowan, at page 1 there is some previous - sorry? ---Thank you. Okay.

COMMISSIONER: Mr Cowan, if you can't deal with this on the run, as it were, tell us and we can ask you to come back?---No, that's fine, you know, I'm perfectly willing to give my opinion based on what I read, it's fine.

MR CREGAN: At page 1, you'll see under 1.3 references document number 1 is the QHIC requirements tracability matrix?---Yes.

That's one of the documents referenced while creating the document, what it says at 1.3?---Yes. The interesting thing with this though is that what I was aware of the requirements tracability matrix was a document that was under a lot of discussion about whether or not we should probably sign it off rather than author it, but I had the impression at the time that it was author and sign off and that was towards, like, September, October. I don't know how it related to this one.

All right. You said you weren't involved at this point, so that's fine. We can just look quickly, if you just actually turn back two pages, I'm sorry, to page ii, for the revision history of the document?---Yes.

If you go down to point 6, "Minor updates after KJ Ross Audit": do you see that there?---Mm'hm.

And then go through quickly. At page 3 of the executive summary, you'll see it says under paragraph 2:

> *As at 27 April, all planned system integration tests have been executed as per the table below with 99.9 per cent passed. The 38 incomplete test cases are blocked by sev 3 defects only.*

And that seems to be the 40,000 number?---Yes.

Do you agree with that?---Well, I agree that the document states that.

If I can get you to turn to page 16 of the document, there's mapping of requirements to test cases?---Yes.

It says, "The QHIC requirements tracability matrix contains the mapping of approved business requirements, as contained in the scope definition through business process to individual test cases," which is what I was asking you about before?---Yes.

"The RTM maps level 5 business processes to individual test cases contained with Mercury QC." Can you tell me what's that?---Quality Centre, it's the test management tool.

Is that the Hewlett Packard product?---Mercury was bought by Hewlett Packard.

So we see Mercury QC in some documents and HP Quality Centre - - -?---It's the same thing.

- - - they were acquired at some point?---Yes.

"These level 5 business process mapped back through detailed PDRs." What are PDRs?---It would be - - -

Process definition requirements?---Yeah, it would be something like that.

For the high-level QHIC scope definition?---Yes. Interestingly enough, looking at this one of the things that I recall is that there were actually two distinct instances of QC, there was the IBM one and there was the Queensland Health one. The requirements tracability as they're talking about there as being implemented inside the IBM quality centre does not necessarily imply that Queensland Health would have had visibility of it.

I understand, but it was a different quality centre that used the UAT?---Exactly.

And they were all hosted at CorpTech?---I don't know that but probably, yes. But it doesn't mean that Queensland Health had access to the IBM one.

I understand. But you wouldn't know if they did?---I'm not saying they did or not, yes.

The next paragraph, "The audit report by KJ and associates on 23 April identified issues." Would the evidence of these links which seems to me, would you agree, IBM's linking requirements document to test cases, that's what it seems to be talking about?---Yes.

"And issues have now been reviewed and resolved, and KJ Ross have agreed that we've been able to demonstrate satisfactory links between the execution results and the RTM"?---Correct. What I would add to that is that I don't see that and I don't know - because we don't know the scope of the audit that KJ Ross conducted, what we don't necessarily see is the review that might have been conducted on the requirements as defined as to whether they are comprehensive and complete, that much I don't know.

I understand. You didn't take part so you don't know? ---No - yes.

I take it all the work from KJ Ross?---No.

All right. Going back to UAT, part of that we were talking about was identifying the business processes, how people go about that, and there needs to be a series of workshops. Is that right?---You mean in terms of UAT or in terms of the requirements?

In terms of UAT?---I think what we'd normally do is we - yeah, you probably have a workshop with the UAT people, the testers, yes.

And also the testers because, in this case, I think you said some of them were Janette Jones' people so they'd know this process - - -?---Yes.

- - - that had been in place?---Well, most of them were people who were working within the capacity that they would normally work in Queensland Health. Some being Janette Jones, some being the CorpTech people, they were there because they were doing their job.

I'm just wondering, in your UAT report you do actually mention the RTM. Sorry, I'm just going back to that topic?---Okay.

It's at page 295, I'm sorry.

COMMISSIONER: What volume?

MR CREGAN: Of volume 14, I believe, Commissioner - 13, sorry?---Page, sorry?

COMMISSIONER: 295 it starts, Mr Cowan.

MR CREGAN: Yes, I'm looking at page 295. This is relating to the entry criteria on 7 July, it seems to be, at the top of the page, just under 5.1 entry criteria? ---Yes.

And then down to subparagraph 9, "All parties agree that requirements traceability matrix is an IBM document to be used to facilitate UAT and decision-making," and it goes on to talk about it not being a contractual document and those sorts of things?---Yes.

Which is possibly (indistinct) talking about?---And you can see it's very - it's an IBM document and it tried to be very clear that it was not anything to do with Queensland Health, with something that - I guess in terms of maybe, commissioner, in terms of your question about, you know, was it in scope or not, I guess that's kind of what they were trying to use it for.

COMMISSIONER: Well, I know it says that the matrix - I see, an open document. It's not a contractual document, not a representation for QH and CorpTech business requirements. So it was sort of a work in progress? ---Exactly, even though - - -

MR CREGAN: It wasn't agreed I think is the - all right. Mr Cowan, can I ask you to take your statement, please? ---Yes.

I'm going to look at your paragraphs there?---Mm'hm.

Perhaps look at paragraph 5?---Yes.

I'm just wondering: in relation to that, you have some questions about Mr Burns and Mr Price?---Yes.

I'm too interested in what they told you to do, but I'm rather interested in whether they took part in this process we're talking about of sorting out business processes. Were they involved in that part?---No.

And you didn't seek to bring them into that part about business processes and the UAT?---Well, the reality is that the - again, the business process area is an area that tends to be defined by the people who define the requirements. It's not about - UAT testers are not really the people who try and define the process, per se. They take the requirements or they work with the people who help define the requirements and then they implement them into test cases and then they try to execute those test cases. Not all of them again, just the ones that are relevant and important. So I will be very surprised if Tony or Terry were trying to involve themselves at that level of detail.

I don't need it as correctly of them or you but they weren't coming along and saying, "I want to be involved. I think we need to focus on testing those situations"?---No, absolutely not.

All right. At paragraphs 9 and 10, you talk about unit testing?---Yes.

Let's deal with 9 first. Would you accept that 9, that when you're talking about unit testing, certainly in something like a SAP environment, you're not merely talking about modularise things in methods, you also need to look at configuration?---Yes, exactly.

All right. And that would need to be done?---Mm'hm.

Because it's a rule based implementation?---Yeah. It's a commercial off the shelf thing that's effectively tweaked rather than a lot of hardcore code written at the base.

And at paragraph 10, you talk about interface contracts? ---Yes.

Now, is that - by that do you mean the way in which SAP and Workbrain talk to each other?---Exactly. And again, let me highlight here that I'm talking about this from this perspective as just in my experience with architecture and development; I'm not saying I wasn't aware of how actually it was planned to be done by IBM.

Okay. So you're not aware of how they actually passed over to each other?---I was not intimately aware of how they started between each other and nor was I a party to the process by which they had defined that or anything like that.

All right. I understand?---I included that just in terms of giving a context.

But you're not saying it in terms of this wouldn't have been done here or anything like that. We shouldn't read you to mean that?---What you could read into it is to say by the testing that we did and to see how the pay runs failed, I would be very surprised if it had been done because what - the sort of things that would fail would be in the transition of data from one system to the other, the pay run would collapse or the extraction of data from one - the scripts that were written in order to pull the data out of, say, Workbrain, and say, "Okay. Inside, a roster looks like this," and you write a script that goes in and has a certain expectation of what it's going to find in the database, and then it pulls it out and shoves it into a file, probably, and that's - and depending on how - depending on what you expect the developer to find there, you write your code accordingly. Now, if you don't write it robustly and therefore say, "Well, maybe it could be a number but maybe it could be a letter," or, "maybe it could be something else," the system finds things that it doesn't expect and just crashes, and that's what we found in the pay run processing is that did not happen just once; that happened on a regular basis.

Those are the said ones, aren't they, things that stop the system?---Say again, sorry?

Those are the said ones - - -?---Yes.

- - - things that stop - - -?---Yes.

All right. And so you don't think it was done. If I showed you a document showing it had been done, would that help?---Let me put it this way: it probably wasn't done as well as it should have been because, if it had been, the testing would not have failed. That's all I could say from a testing perspective.

But you don't know how it was actually done?---No.

You don't know if it was dumped into a CSV file through (indistinct)?---No, and from our perspective as testing, we don't really need to know that. What we know is when we press the button and it doesn't finish - - -

I understand. Now, paragraph 12, you make some comments - in 13, I should say. 13, I apologise?---Yes.

"SAP is a large complex application"?---Yes.

"Well proved," those sorts of things?---Yes.

You said, "It wasn't inappropriate to bring in Workbrain, it was just unusual"?---It would depend on what - - -

Sorry, that's what you say here?---Yes, that's correct.

And are you aware ultimately that Workbrain and SAP are two separate, completely freestanding applications?---Yes.

They're able to exchange data?---I'm not - there is obviously - - -

SAP is able to import data from other applications?---Yes.

Workbrain is able to import data from other applications? ---To the scale and the type of data that we're talking, that much I can't say.

But you know it's able to do it?---Well, obviously it's been enabled to do it. I can't say that it does it out of the box.

Because you don't know about SAP or Workbrain in particular detail?---Not at that level of technical detail.

Okay. All right. Now, you say that SAP is capable of doing awards and that would be something that is programmed in ABAP. Is that right?---Yes, correct.

That would actually be a little software program of its own?---It's a language that you use to - - -

Inside of that?---Exactly.

Right. Are you aware that had already been done at the Department of Housing and failed?---No.

All right. And just on the point that it's unusual, would you agree that it's not particularly unusual for an entity like SAP to have a bolt-on application that does something that SAP can't or SAP doesn't do as well as it could. For example, supply chain management?---I think that's - that is normal. I've seen that before. I guess the concern here that I was trying to express is the depth of integration that we were trying to achieve here was - well, was tried to be achieved here.

It was something you hadn't come across before?---Exactly.

I see. And before it was working at Credit Suisse internally and working at Swiss Re internally?---I was a contractor/consultant with Credit Suisse in my second go around, if you will.

Right?---Initially, I was an employee there as I was an employee with Swiss Re but then I was a consultant with Credit Suisse.

Developing internal tools?---Developing and testing internal tools, yes.

Okay. Now, I'm wondering about this paragraph 14?---Mm'hm.

Just in context of some of the things you said about your knowledge of SAP?---Yes.

How can you say - I'm sorry, I'll put that a different way. You say SAP's being broken up?---Yes.

SAP wasn't being broken up, it was just importing data from somewhere else, wasn't it?---No.

Because actually what you say is no?---No, actually, no, because effectively it's a two way integration. Workbrain - - -

SAP will export things to a - - -

COMMISSIONER: Mr Cregan, let Mr Cowan answer the question, please?---There is an import and an export. To use those terminologies, I would say, would be a very static thing. Okay? So I am using a system, say I use SAP and maybe once a month I say, "Dump this file to then suck it up into this system, to this other system." The problem that we experienced is it was a very detailed dynamic interaction between the two. It's a two-way integration and as soon as you start saying "two way", I would suggest

that it is a - you're pulling out that component of SAP which is normally used for rostering and you're replacing it with Workbrain and as a result - - -

MR CREGAN: You're simply not using a module. Is that a fair way of characterising it?---Well, yes, but you're trying to implement a Workbrain, which is, again, in and of itself quite a complex system and you have a very detailed and complex two way integration between the two.

I see. They need to exchange data?---A lot of data in a very detailed and complex way in a two-way exchange, exactly.

Okay?---And one set of data that goes is dependent also - the context of it is very important and when it gets re-brought back in, it still has that state.

I understand. It's not the case that you understood what level this was happening at?---All I could - no, that's correct.

All right. That's all I want at this stage. If we could just go on to paragraph 14. Actually, we'll stay with - you haven't seen the report you've just seen before with the different test cases and those kinds of things?---No.

You weren't aware of it?---No.

All right. Sorry, commissioner.

Going back to the RTM again, at paragraph 20 of your statement you make the comment, "UAT could only provide a superficial insight into such risks - - - "?---Yes.

"- - - only related assessed quality of the system was to go back," essentially. At this point - and you talked a bit about the requirements traceability matrix?---Yes.

To be able to assess the quality, you said people are going off and doing other things and that kind of - during testing. They weren't following test scripts necessarily? ---Yes.

And in doing that - - -?---If I can clarify. I said that there might have been 5 per cent of times where people hadn't followed the script exactly.

But you weren't looking over people's shoulders?---No, I wasn't, but by definition the way that they would have been executing testing would have been to follow the script. It would have only been in exceptional circumstances where they would not have.

The scripts, you suggest, leave no room for human error? ---They don't leave much room for human error. It really does say, "Enter this into this field, press this button."

But if it wasn't that specific, there could be room for interpretation by the - - -?---Yes. Again, these are subject matter experts. These are not people that we've just pulled off the street and thrown at the system and said, "Hey, please around with this." These are people who know how to do their jobs in payroll and actually are using the system that they're going to be using in the future.

I understand. My question is simply they would be using the scripts, but they might go off the scripts?---I expected there might be, yes, 5 per cent, 10 per cent chance that they might have. Yes.

They might also not - there might be human error. They might use it in a different way?---Yes, there is potential for that to happen.

They might have actually gone and done something where they've interpreted simply the instructions in a way different to the person next to them?---Obviously, the quality of the scripts would be tantamount or would lead them to be able to either less or more be able to do that. So if you had good quality scripts, the chances of them being ambiguity about what you should be doing is less.

All right.

COMMISSIONER: I think what you said before - did I get this right - if in the UAT a defect is reported, you try and replicate that, do you, to see if it is a defect or just a mistake - - -?---Yes.

- - - in the testing?---Oh, gosh, yes. You wouldn't just, you know, see it once and go, "Raise a defect." No. There was a senior person on the floor and so when a tester found something that they thought was a defect they would go to that senior person, like the team lead, and they would talk to them about it and show them. So the chances of it just being, "I happened to press the button," or enter five instead of six was pretty small, which is reflected honestly when you actually look at the number of defects that were rejected. There were not that many defects that were said to be not defects.

MR CREGAN: But you said before of things that weren't true defects, you say if you added up a number of things you could get to 25 or 30 per cent?---When you added up everything, but that's also about the requirements; that it wasn't in the requirements - - -

That's right?---- - - these sorts of things. Right. We're talking about - I'm trying to explain for a start that the 25 per cent is not a key number. The fact is that 75 per cent of those defects were true defects. That's the important thing to remember.

But sorting out those ones - let's assume 25 per cent for now, sorting out those, particularly where they're outside of scope, would take hours or could take hours?---It was a time consuming exercise, no doubt.

So when they were raised and people weren't - they weren't tied back to RTM's and people going off script. It would take hours to sort out that that was out of scope, days

even?---No, I'm not sure. I wouldn't say - it might takes days of duration. It certainly wouldn't take days of effort.

Right?---But ultimately we struggled with the fact that we - from what we understood and, again, my recollection, but I'm pretty sure that we didn't have access to the requirements traceability matrix as is referenced inside the IBM quality centre. That was not something that we had access to.

Did you ever ask for it?---I'm sure I did, but - - -

Who would you have asked?---It's the sort of thing that you would normally expect to see, so, yes, I would have asked. I can't recall the discussion and I can't recall what might the response have been, but - - -

So you're not sure?---No.

All right.

COMMISSIONER: Are you sure that you're asked and didn't get it?---I'm sure that I asked and I'm sure that I didn't see it, so I can't recall the discussion to know what was actually said and what the response was.

MR CREGAN: But do you know who you asked?---I would have asked Mark Dymock.

Asked Mark Dymock?---Yes.

Okay. At paragraph 23 - actually, it might be convenient to do this while looking at the management response. These are your comments on it, which is at volume 14, page 380. At 23A you say the salaries are misinformed?---Sorry.

I'm sort of collating the two?---Okay.

Your paragraph 23A of your statement appears to relate to page 5 of the document in front of you - - -?---Okay.

- - - which is renumbered sort of our tender bundle purposes as 383?---Got it.

You say there, "The statements are misinformed so in doubt"?---Yes.

But the large number of the defects, the raw counts, they included defects against scope, test script and test data as well as system functionality?---Anything that was considered out of scope was called - I guess it depends on what numbers you're talking about. Okay. So if you're talking about my daily defect reports then any things that were considered out of scope or not defects were pulled out of those stats.

Ultimately, but not initially?---Basically, pulled out on the next day.

But you said before it could take days to sort out if something was in scope or out of scope?---It might, but again you're talking - and this is the whole - this is a very good example of exactly what I'm talking about. Yes, it make take days for one defect out of the 500 to actually be pulled out of that bundle, but ultimately you've still got 499. So this is the sort of tactic that I experienced and I'm sorry for highlighting that in your statement, but it's exactly that sort of tactic that I experienced through the project where it's like you've got a house on fire and someone is standing at the front trying to put out a burning flower and it's like, "Well, focus on the house. Don't worry about the flower. Yes, sure, the flower might get burnt. It's not the end of the world, but the problem is that the house is on fire." The reason I put that into my statement was it's not about the specific 500 or 499 or whatever it is, it's that there were that many that it was - - -

This is the complaint that was constantly raised, wasn't it?---Mm; mm.

The defects weren't particularly taken down to a level of detail and tied to a business process. That was IBM's complaint?---I believe that - - -

Hence your numbers, I should say?---I believe that for the vast majority of the defects that we found, they accepted them and fixed them. So I'd say that, no, it wasn't at odds with the ongoing complaint that that was the case. I would suggest that for the things that were identified as being out of scope that it may have taken time to actually come to that realisation, but for the very fact that the vast majority of defects that we found were fixed, functionally fixed which, to me, point to the fact that they were accepted as functional defects.

Or they could point to IBM's goodwill in fixing things that they didn't have to fix or they could be new requirements?---That's possible. That's possible.

All right. And is it right to say that the defect numbers in your reports don't give the board, save the point you've made, which is a big number - is scary - sorry, I don't mean to - - -?---Yeah, that's all right.

- - - a big number is bad?---Yeah.

But that doesn't give the board the granular level of detail that they would need to make an informed risk assessment, does it?---The point of the report was to give that analysis of the numbers.

Just raw numbers?---No, not raw numbers, if you read the report it explicitly doesn't just talk about raw numbers, if you read the report it talks about the type of defects, if you read the report it talks about the fact that we don't have full coverage of the requirements and as a result if you choose to go ahead with this go live understand that there's a lot of residual risk in the system.

If we look at, for example, at page 5, down the bottom of the IBM response, it says:

> *The board needs to understand that raw defect numbers do not by themselves provide sufficient context for decision making, risk assessments or any conclusions. For example, 556 sev 2 defects raised during UAT 4, 156 were closed, has no defects or duplicates, and the other 400 only 227 were classified as code or configuration defects.*

Others were new requirements - - -?---I, again, highlight 227 code or configuration defects.

But that's a big way off the number that's presented?---It doesn't matter, it's till big for UAT.

I understand. Your point is there were lots and they needed to be dealt with?---No, my point is that there were lots and they should never have been there in the first place if system integration testing had been conducted appropriately.

The point I'm putting to you is, I'm suggesting that as a part of that there's a sev 2 defect analysis but ultimately that doesn't tie the particular business process. That step isn't done in your report, is it?---Well, to a certain extent it may be, I'd have to see the report, but if you look at the - I know that there were certainly reports every day about what functional area or business area the defects existed in, so there's certainly that level of breakdown.

But it's not testing, it's not saying, "Failures in this script tie back to this requirement and this issue"? ---Probably not.

No? All right. Actually, if we go on in this document to page 9 of 12 - sorry, pardon me, 10 of 12, page 389 of the bundle, the Health response at the top, "Of a total of 2405 test cases were executed with only 19 failed test cases, less than 1 per cent." The failed test case as a result of the open defects. So where there's actually a defect that's tied back, they actually had the testing? ---Honestly, I'd have to see my report to understand the context in which that was said.

Just look at 23(b) of your statement. IBM's point is essentially that you've got to take in account the size of the application. It's not enough to say, "There's a lot of defects," you've got to into account this is a massive application (indistinct)?---Yeah, I'd agree with that.

All right. That's giving context, essentially, to numbers. Would you agree with that?---It certainly gives context to numbers, yes.

All right. And that's the point you're actually rejecting, isn't it, that this kind of context isn't required?---The assessment of the defects concerns the type of defect identified as opposed to the - the number is why it brings up what's going on and then it's the type, the fact that they're functional defects, is the real cause for concern. Because it would be perfectly valid, as I think I mentioned earlier, to say, "Hey, in a system of this size we've found 100 business type process issues through our UAT." "Okay, how are we going to deal with those?" You might have some workarounds et cetera, but if you're binding, even just taking these raw numbers as written by IBM in this response, 227 functional defects in the UAT and not - again, this is just in UAT 4, remember that IBM delivered this system for UAT in 2008 and the big numbers are because, effectively, a combination. It's, I guess, representative of the philosophy, if you will, that the system was delivered to a UAT in the end of 2008 and it basically didn't work. So then we went away, we came back and we tried it again, and we tried it again. UAT is all about confidence, it's about instilling confidence in the end user of the system that the thing is going to work, and that the precursors to the UAT 4 as well as the 227 defects according in these stats, which I don't see other ones, but let's say the 227 functional defects is discovered and they're sev 2 defects that are found in there are why it should have highlighted a complete lack of confidence in the functionality of the system.

I see. You said before you weren't actually involved in scope discussions, is that right?---That's correct.

Or contract discussions in any form?---No.

You wouldn't know about change requests and changing requirements that were coming through, so you wouldn't have read the documents?---If I did I can't remember them, put it that way.

Let's look at (d), at page 9 of the response IBM comments on the phases of UAT, "Was not involved in the early phases, my understanding from conversations was the reasons it failed is the system not functioning well enough"? ---Correct.

Could I ask you to take up volume 8, at page 275?---Sorry, what page?

275, at the start of it, it's the QHIC test audit report from KJ Ross prepared by Mark Pederson?---Okay.

Turn to page 280 of that report. Have you seen this report before?---Certainly not in the last two years.

All right. Do you know who Mark Pederson is?---I met him.

Who is he?---He's a consultant at KJ Ross.

Okay. I understand. At page 280, HR payroll UAT readiness review, the first round of user acceptance testing is conducted in January 2009?---Yes.

A number of the issues were encountered and the UAT activity was suspended pending resolution of those issues? ---Mm'hm.

Issues encountered, make recommendations, those sorts of things. Under 2.1, there was issues with the test scripts, they were a major concern?---Yes.

That meant that the test manager had to detail script remediation work?---Mm'hm.

A large number of UAT testers were deployed requiring management, a large number of system quality issues as well as test script quality issues experienced during execution. So it's right to say that it's not just system quality issues, there were test script issues that were involved? ---I have absolutely no doubt that there were issues in terms of - and that's the reason that they engaged me in March was they were having issues there. The comment that I made in my statement, as it even says in the statement, was about discussions that I had with the people who tried to execute that UAT.

Right?---And what they had told me was that it really just didn't work, as in the system didn't work.

Okay. So obviously there were other issues as well?---I'm not saying there weren't.

All right. Now, at paragraph 29 of your statement - sorry, actually, I'll leave that. Paragraph 34?---Mm'hm.

I just want to clarify something. Your involvement ended on 27 January 2010 when you delivered your report or thereabouts?---Yes.

So you weren't involved in the efforts after that date to sort out defects, come up with a - - -?---No.

- - - defect management plan, any of that?---No. Well, the defect management plan was something that had been initiated before that.

Right, but the final version up to go live, you weren't involved in?---No.

And so the actual work involved in doing those you weren't involved in. Sorry, after you left - - -?---After - - -

After 28 January?---No.

All right. So you wouldn't know what went on after 27 January?---I - well, in a way I do because my wife works there, so I have indirect knowledge but not - I can't say - - -

But no first-hand knowledge of what went on?---Exactly.

I understand. Now, is it right to say that the number of defects we're talking about - I think you said before Bill Doak was a spammer. He would send emails - there were constantly - it's fair to say there were constant issues being raised about the number of defects, what they were called, what their severitys were, and constant discussions about it?---Again, I think what I tried to say was there were - - -

You would have said - I'm asking what - - -

COMMISSIONER: Mr Cregan, you ask a question, let the witness answer it. Go on?---There was a - Bill Doak, I can recall three or four times where he would spam. The spamming wasn't on the - the term "spamming" wasn't based on the regularity where he would do it, the spamming was - the term was based on the audience to which he sent his spam.

MR CREGAN: And that was the audience to which you said you recall?---Exactly, exactly. So effectively what he was trying to do was to discredit the report. Effectively what he was trying to do was to discredit the report. In his opinion, it was incorrect.

IBM is of the view that wasn't right?---Well, Bill Doak was of the view that it wasn't right. Well, I say that and I make a very clear point because maybe it won't be particularly well received but there were a number of occasions where that was sent out and people from IBM themselves shaking their heads.

But the managers - in fact, you were directed and asked to have a meeting by John Gower, weren't you, to try and resolve some of these matters - - -?---On occasions, I probably was - - -

- - - and report it?--- - - - sure.

And that would happen from time to time, try and sit down where you would try and get the numbers sorted out to try and has out these issues?---Again, I think that there are probably - what I'm trying to ensure is that it's understood that the vast majority of the numbers that we're talking about were accepted and agreed.

What I'm asking you - - -?---Yes.

- - - is if there were complaints about the numbers? ---There were complaints about the numbers due to the actual numbers and the way that they were being reported.

Well, can I show you an email?---Please.

It's an email from John Gower to you dated 26 November 2009.

COMMISSIONER: Have you seen this, Mr Horton?

MR HORTON: I have not.

COMMISSIONER: Well, you know my ruling, Mr Cregan. Anyway, you can take it up with Mr Horton over the adjournment because obviously you're not going to finish by lunch time.

MR CREGAN: Now, this email - - -

COMMISSIONER: Well, no - - -

MR CREGAN: Oh, well, we'll take it up - we'll deal with it later on. Yes, commissioner.

COMMISSIONER: You have to discuss with Mr Horton over the adjournment.

MR CREGAN: Yes, commissioner. All right.

COMMISSIONER: Is it convenient to adjourn now?

MR CREGAN: I was going to say, commissioner, it might be a convenient time.

COMMISSIONER: All right. We'll come back at 2.30.

THE COMMISSION ADJOURNED AT 1.00 PM UNTIL 2.36 PM

THE COMMISSION RESUMED AT 2.36 PM

COMMISSIONER: Yes, Mr Cregan?

MR CREGAN: Mr Cowan, just a few matters. Would you agree that in the course of testing UAT you need to have sample data when you're testing - - -

COMMISSIONER: You need to have?

MR CREGAN: Sample data?---You need to have data. Yes.

There was test data that was used?---Yes.

And that caused to be severely problematic?---There were issues with the system with test data - the cause why the system had problems with that data would be very much under debate because should the system be able to handle that sort of data or was the data always expected to be pristine.

COMMISSIONER: Sorry, I missed that answer?---The challenge is should the system be able to deal with data that isn't exactly as it expects or is there some mechanism to ensure that the only data that the systems will ever see is perfect.

Yes, I follow. Thank you.

MR CREGAN: You say in your report that data preparation quality proved to be a perpetual source of pain. That's right, isn't it?---Well, yes. I mean, in my report I guess - I don't have it in front of me, but, okay, yes, I said that and I guess that - - -

All right. And, "There are days whilst a defects generated result of poor data quality due to the pay run for short dumping due to poor data quality." So defects were coming up as data quality is poor?---Again, this is exactly one of those situations where I'm referring to the pay run aborting because of poor data is a matter of the robustness of the system. So if the pay run is aborting because of poor data, there are two things that you could take out of that: (1) that the data is poor; but (2) that the system should be more robust and be able to deal with poor data.

Or the data put into the system should have been more representative of what the system would likely encounter? ---You're making a big assumption that there's no poor data in production.

I'm making the assumption that data - that it's put in production will be dealt with through the system and not forced into its databases?---Well, potentially there's

migrated data which equally the system will have to deal with which isn't put in through the system, which is something that's pushed into the database.

I see?---So in the same sense the system needs to be robust enough to deal with uncertain data.

So when you said, "Data preparation and quality proof (indistinct) execution," that was data that was put in for the purposes of testing and caused defects. That's right, isn't it?---You'd have to give me the thing that you're reading from so I have context. I'm sorry, I don't have it in front of me. Is this the final report?

I don't think it matters, Mr Commissioner. That's all the evidence.

COMMISSIONER: All right. Fine.

MR CREGAN: Thank you.

COMMISSIONER: Yes, Mr Horton?

MR HORTON: No questions, Mr Commissioner. Might Mr Cowan be excused.

COMMISSIONER: Mr Cowan, thank you very much for your assistance. We're very grateful to you?---Thank you.

You're free to go.

WITNESS WITHDREW

COMMISSIONER: Yes, Mr Flanagan?

MR FLANAGAN: I call William Neville Doak.

DOAK, WILLIAM NEVILLE sworn:

MR FLANAGAN: Would you give your full name to the commission?---William Neville Doak.

Mr Doak, have you provided a statement in these proceedings which is entitled Second Statement of William Neville Doak dated 29 April 2003?---Yes, I have.

It's called the Second Statement because you've made some recent amendments to your statement this morning. Is that correct?---That's correct.

MR DOYLE: It's called the second statement because there's an earlier one. It doesn't matter. There are some changes to this statement, but that's not why it's called the Second Statement.

COMMISSIONER: If this is tendered, it will be the first statement I have from Mr Doak.

MR FLANAGAN: Yes.

COMMISSIONER: All right. Let's not worry about its designation.

MR FLANAGAN: Thank you. Mr Commissioner, we're having these statements copied, presently. May I show Mr Doak this statement and I'll tender that statement?

COMMISSIONER: Yes.

MR FLANAGAN: Thank you.

COMMISSIONER: I said I have been given six more volumes of material. Is there some duplication?

MR FLANAGAN: There is, but some of the duplication of statements of work and of the - - -

COMMISSIONER: I'm not being critical; I'm just wondering.

MR FLANAGAN: No, of the QHIC scope definition document are slightly different to the ones that are in the commission's bundle.

COMMISSIONER: All right.

MR FLANAGAN: Can I start with paragraph 10 of your statement then, Mr Doak.

COMMISSIONER: Can I have a copy?

MR FLANAGAN: The tender copies are coming. One could look at the exhibit for present purposes. Mr Doak has a copy of his own statement.

COMMISSIONER: All right, thank you?---I do.

Are you tendering this?

MR FLANAGAN: I tender his statement and - - -

COMMISSIONER: Exhibit 103 is Mr Doak's statement. It's called Second Statement, but for my purposes it's the last statement.

ADMITTED AND MARKED: "EXHIBIT 103"

MR FLANAGAN: Yes.

COMMISSIONER: Thank you.

MR FLANAGAN: I also tender, of course, with it the six volumes of annexures - - -

COMMISSIONER: Yes.

MR FLANAGAN: Mr Doak, in paragraph 10 you state that when you first commenced as program director which was in or about 1 July 2008, you reviewed the contract, the SOW's and recent project reports and other like documents. Do you see that?---Yes, I do.

Did you also familiarise yourself with IBM's response to the ITO?---Yes, I did.

All right. In paragraph 7 you state that you commenced as the program director on 1 July 2008. Ms Perrott has suggested in evidence yesterday, transcript 23-70 lines 3 to 14, that prior to your appointment as program director, you came and did a six-week quality review or what she described as a quality audit prior to your appointment. Is that correct?---No, it's not.

Do you recall doing any sort of review or audit prior to you becoming program director or after you became program director?---Yes. I recall doing two reviews and two internal reviews for IBM for Peter Munro, who was responsible for public sector and IBM Australia and they were in the months leading up to my appointment.

Can you tell us the approximate dates of those reviews? ---They were both early in 2008, so I would estimate around March and possibly in May.

March 2008 and May 2008?---Yes. I don't have a record of those because I was under my IBM New Zealand ID and I don't have those archives any more.

Did you produce reports in relation to your reviews?---I did.

Do you have a recollection of the conclusions you came to in relation to, first of all, your March review?---Just in general.

Would you give us your general recollection then?---Yes, certainly. There were some challenges at that point that it was clear early on that the schedule was threatened in terms of the go live date; that there were a number of issues around stakeholder engagement which were causing these problems and the result of that was the need to strengthen our stakeholder management department, which was where I came into it.

Why were you called back to do a second review which resulted in the May 2008 review?---Again, it was just a follow up on my first review of what's changed. It was

just to see whether there was any improvement in the situation, whether there was any further recommendations I could potentially make.

What did you find?---That, fundamentally, not a lot had changed while out of the first review the intention was for the team to try and engage at a higher level within the Queensland government to get some greater support for maintaining the schedule and the responsiveness of the client; that in reality not a lot of change between the two reviews.

You say that Mr Munro brought you in for the purposes of doing this review. Is that correct?---Yes, that's correct.

Did he tell you why he needed you to do these reviews? ---Yes.

Could you tell us why?---Yes, certainly. That was because the schedule was being challenged. In fact, it was more than challenged. At that point it was clearly not going to be met.

Why was the schedule being challenged, or did your audit reveal why the schedule was being challenged?---Yes, it did. There were a couple of issues, but the most significant issue for the schedule was that the challenges and the engagement with Queensland Health in terms of getting the business requirements information that was needed in order to lock down the scope. So there was a perception that at Queensland Health, at that point we're not engaged, it didn't have the same level of urgency that our team felt that was necessary in order to meet the schedule. There were many theories around that, whether it was because we were trying to engage them initially over the Christmas period and they would prefer to have been holiday, or whether they were skeptical about the project given there had been many attempts to upgrade payroll and Queensland Health and none of them had worked, and many of this team had been involved in the past, or whether there was a general feeling that there was no real desire to help IBM meet its goals, but they were the issues that were identified.

All right. That's one issue you've identified, why didn't it. It also looked at IBM's performance in relation to the contract?---Well, yes, it did, it was IBM's role to maintain the schedule and IBM had failed to do that, so I felt we needed to strengthen our executive management.

Quite. Can you tell the commission, as at March 2008 and May 2008, when you did these audit reviews, they resulted in reports to Mr Monroe, didn't they?---Yes.

Even though you might have archived them in your New Zealand database, they would have been available to Mr Monroe. Correct?---Back at that time, yes, but what he's done with them I don't know.

Mr Monroe still works for IBM, does he not?---Yes, he does.

All right. Did you have regard to those reports for the purpose of compiling your statement?---No.

You don't mention in them your statement at all, do you? ---No, because my engagement as the program director started on 1 July.

Quite, but you start on 1 July, but you're actually reviewing the performance of IBM as early as March and May 2008, aren't you?---Correct, and my role as the industry leader for Asia Pacific, this was one of hundreds of projects that I was reviewing.

Quite. Can you tell the commission, because we don't know at this stage what you found out because of your audit, but can you tell the commission did you identify in the course of reviewing that IBM were experiencing difficulty in the

build and implement stage or part of the Workbrain solution?---No.

Not at all?---Not at that point. No, at this point it was too

early, this was all about locking down scope, gathering business requirements, being in a position to complete design.

Can you tell us anything else that you discovered or concluded as a result of your reviews?---That was the conclusion.

When was the first time you actually met Mr Grierson? ---Fairly early on, I think at the end of my first week, so that would be the first week of July.

So you didn't meet him in the course of conducting these reviews in March and May 2008?---No, I did not. It was an internal review.

Thank you. Did it come to your attention in the course of conducting your review that the customer, and when I say "the customer", that is, CorpTech and the agency that you were dealing with, Queensland Health, did it come to your attention that they had a level of dissatisfaction with Mr Hickey, who was then the program director from IBM? ---No.

Not at all?---Not at all.

When did it first come to your attention that there was dissatisfaction with Mr Hickey?---It never came to my attention that there was any dissatisfaction with Mr Hickey, he's one of the finest project managers I think I've ever known.

Did Mr Grierson ever express to you that Queensland Health and CorpTech were seeking to have Mr Hickey replaced as the program manager?---No.

No? Can you tell us why Mr Hickey was replaced as program manager?---Because of - as I said, Mr Hickey, a fine, fine project manager, one of the best. The issues that he was experiencing with the program wasn't in project manager, it was in stakeholder management, and that's why I was brought in to strengthen the team. As you know, Mr Hickey stayed on in a role leading the QHIC project stream.

In terms of assisting this commission, do you have any recollection or can you give any evidence as to an intervention by Mr Grierson or people from CorpTech which led to the replacement of Mr Hickey with yourself?---No.

None whatsoever?---None whatsoever.

All right. Thank you. Mr Doak, in dealing with issues this afternoon and tomorrow, the main question I'd like to look at is the fact that, as identified helpful yin paragraph 45 of your statement, 34 change requests had a financial impact on the QHIC project of approximately $18.8 million?---Yes.

When I examine you, you can take it that we appreciate that change requests were made and that many of them were ultimately executed by the relevant CorpTech person and became part of the contract. We're not looking at the fact whether change requests were part of the contract, what we're looking at is why the price increased. Do you understand?---Certainly.

All right. And I want to identify or examine with you the primary reasons why you think and why the documents might show the price increasing. Do you appreciate that? ---Certainly.

Good, thank you. Can I commence then with the issue of scope, which seems to have been - - -?---Interesting.

- - - greatly debated? Would you agree that for the QHIC project what was in scope and what was not within scope remained a continuing issue as between IBM, CorpTech and Queensland Health for the life of the project?---Yes, I would agree with that.

It would seem that, for the government's part at least, one of the primary mechanisms they sought initially at least to resolve these disputes as to scope was through suggesting that breach notices would be issued, yes?---Yes.

One of the primary methods for IBM as the vendor, and not surprisingly, that it sought to deal with these besieged changes in scope was the use of change requests under the contract?---That was the mechanism for all parties, yes.

Yes, thank you. A large number of these change requests which became part of the contract having been accepted and signed off by CorpTech, it was the contract itself that provided the mechanism of how change requests would be dealt with by CorpTech, yes?---I don't really understand that.

It was the contract itself that had the mechanism for how change requests would be dealt with?---Sorry, certainly, yes.

Thank you?---It's a very standard process in projects.

All right. So that the commission can understand the disputes that arose between the parties in relation to scope, may I commence with IBM's response to the ITO. Mr Commissioner, I know you don't have the tender bundle

but I've arranged for you to have volumes 14 and 15 of the tender bundle, and for those persons who don't have it I'll read out the necessary passages from it.

COMMISSIONER: Thank you?---I'm sorry, I don't have a copy of this.

MR FLANAGAN: We'll get a copy to you. You don't have it either?

COMMISSIONER: I may have. Yes, we don't have one.

MR FLANAGAN: In that case, I can shorthand it, I'll just do this by reading out the relevant passages from the responses that were made. So you know where I'm going, Mr Doak, I'm going to ITO responses, which is actually contained in volumes 14 and 15 of the tender documents. First of all, at page 49 of IBM's response to the ITO, I'll just read out the passage to you. It's dealing with determining the minimum scope for the interim solution, and it says:

> *Our understanding is that there is a relatively small amount of functionality required as a minimum. This understanding is based on our discussions with the Queensland Health QHEST team. Queensland Health accepts that any interim solution will only provide the minimum functionality required to satisfy the basic functions of paying and managing the human resources.*
>
> *Early activity of the wider Shared Services Solution program team, in conjunction with the SDA, is to determine the agency specific scope for Queensland Health, and we propose that this process is also used to identify the minimum scope for the LATTICE replacement initiative. This approach reflects our strategy of ensuring that maximum reusability of functionality build for the interim solution in the SS build program.*
>
> *Our initial activities will be prioritised to ensure that this key piece of work is executed immediately we are appointed and will not be a duplication of effort. Using this approach we will ensure that the scope of work delivered is a subset of what is required for the full SSS roll-out to Queensland Health.*

Now, that constituted your understanding for the entire project. Yes?---That's correct.

May I take you then to the same volume, volume 14, at page 283, which is still IBM's response to the ITO, and at page 283 one is dealing with a document that's called Appendix 4, Issues and Risk Register? "In preparing our response to your ITO IBM has conducted an initial risk assessment of the CorpTech program," and if you look at page 283, and I'll read it to you – actually, we have copies. Thank you.

COMMISSIONER: It's more important that Mr Doak has it, I think.

MR FLANAGAN: Yes, I think so. I did ask for two extra copies to be brought over.

COMMISSIONER: I'm sure you did.

MR FLANAGAN: Page 283, volume 14, please. On page 283, Mr Doak, it's item 25, or risk ID, that I'm looking at. It says:

> *Ability to demonstrate a good understanding of the complete requirements of DETA and Queensland Health and their business based on the evidence of engagement to date.*

I appreciate that this is written at a time when it's at the ITO response time. That's identified in probability as medium and the impact is high, but the mitigation actions that IBM identifies in the response is:

> *IBM has been engaged with the Queensland Health QHEST program over the last 12 months and has developed an understanding of the issues and business requirements they face –*

and then:

> *DETA's full requirements are being collected and agreed as an early activity of forward planning and IBM will build on our understanding of the specific requirements.*

Did you appreciate that IBM had been working through Mr Jason Cameron with QHEST in 2007?---No, I didn't.

You didn't know that?---No.

All right. When you came on board as program director had it been explained to you that IBM had some understanding, at least, as identified in this document of the business requirements of Queensland Health from that 12 months' work they had done previously?---I wasn't aware that Jason Cameron or any other IBMer had been engaged with QHEST before this project.

Did anyone from IBM inform you of that fact?---No.

No-one?---No.

Were you aware that this was part of IBM's response to the ITO?---No.

I'm just trying to understand why there was such an immediate, if you like, conflict between the parties in relation to scope?---Can I answer that?

Quite?---I don't think there was an issue in terms of the requirements for scope. I think the issue was around what we deemed the requirement from CorpTech, our primary client, which was to build minimum scope and the desire of Queensland Health to perhaps have something a little bit greater. I believe that's where the disconnect was.

All right. When I read out the passage to you earlier which actually referred to determining the minimum scope for an interim solution and it talked about minimum functionality, can you tell this inquiry what you understand to mean – what minimum functionality to satisfy that requirement actually means?---Some of the key words here are "like for like", and you would have seen that in some documentation. So this was meant to be a like for like LATTICE replacement, minimal functionality, minimal customisation. It was temporary, interim – all of those words have been used regularly in this, and this is why it was initially scheduled as a six-month piece of work, to work from the Department of Housing base which had already been developed. There was some rectification of some issues with that that needed to be done as part of the scope, but then to take that and build a like for like replacement for LATTICE.

COMMISSIONER: LATTICE wasn't working very well. You're not telling me, I take it, that you intended to build a system that didn't work very well?---This was a stop-gap measure, so what – there's - - -

Well, sorry, can we come to grips with reality, please? What did you intend to build for Queensland Health payroll?---What we intended to do was to remove Queensland Health's reliance on LATTICE as quickly as possible.

All right, and replace it with what?---Replace it with a stop-gap measure until the shared services roll-out of HR and payroll was produced.

But the stop-gap might be chewing gum an baling wire. What were you going to give them, in your understanding?---We were going to give them fundamentally what LATTICE – when LATTICE was working properly, what LATTICE gave them at that point.

All right. Now, LATTICE was working only with, I gather, a great deal of manual workarounds?---Correct.

Were you going to replicate the workarounds or were you going to give them an automated system?---No, we were going to replicate the workarounds, from day one. It was a temporary measure because of the urgency to get off LATTICE. This was not meant to be a full solution or an enhanced solution. There were a few minor points where they had real issues which our replacement was going to address and there was also the need for the enterprise bargaining award changes to be made which LATTICE couldn't do. So there were a few other things, but fundamentally it was a like for like replacement because of the significant risk they saw with LATTICE being able to support. Six months, in and out.

MR FLANAGAN: Can I just test that?---Sure.

Because what you actually just said was that you were going to have the same workarounds that LATTICE had in the interim system?---Yes.

One doesn't find that in the documentation, does one, that particularly saying, "We will have the same workarounds you've got in LATTICE as we will have for the new solution"?---Well, the word "like for like" is used consistently.

LATTICE ultimately paid 78,000 employees of Queensland Health within a certain error level of accuracy of pay. Correct?---Yes.

So like for like in terms of the new solution that was being proposed in the ITO by IBM was a SAP Workbrain solution, yes, quite different to the LATTICE that was existing?---No, you're talking two different things here. So the payroll process consisted of many different functions, many different roles and many different systems of which LATTICE was the core engine. So when we talk about like for like for LATTICE we're talking about the core engine. So there was LATTICE and there was ERP which was the rostering part. So that was SAB – SAP Workbrain, but there were many Excel spreadsheets, many manual interfaces, many workarounds. This was just a stop-gap measure to get them off LATTICE and enable them to do the enterprise bargaining changes.

COMMISSIONER: But I thought from what you said earlier that this work on the interim solution was meant to provide a solution, a payroll system, that when the whole of government roll-out occurred wouldn't have to be replicated, or duplicated, done again?---There was some core functionality that was going to be built as part of this which we would leverage in the whole of government solution.

But you're not talking about a temporary stop-gap measure. It would have to be rebuilt, I gather, if I understand you correctly, completely, as part of the whole of government solution?---No, not at all, Mr Commissioner. Not at all. So, if you like, the first version of this whole of government SAP HR offering was the Department of Housing offering. So that was the first version. We were going to create, if you like, a second version which was minimal changes to that for the purposes of fixing the immediate problem with Queensland Health, then we were moving that into the whole of government stream of work and building from that to create the fully functional HR rostering, payroll solution.

MR FLANAGAN: But in any event, LATTICE was to be replaced by SAP and ESP by Workbrain?---Correct.

Correct?---Yes.

That was your solution. That was what was called the innovative solution of IBM?---That's what our contract was to do, yes.

Quite. So albeit an interim solution, it's actually a new solution, because you're not going to use LATTICE or ESP anymore, you're actually going to use SAP and Workbrain. Yes?---Yes. I've lost your point, but yes, that's correct.

But you're agreeing that it was going to replace the LATTICE system with a different system?---Yes.

A different solution?---Yes.

I'm just trying to understand, given that's replacing it with a different solution - we're trying to understand what you mean by interim solution or minimal functionality in relation to that new solution and as I understand your evidence and what you're telling us is that the minimum functionality or the interim solution means that all the workarounds for LATTICE were going to stay in place? ---Pretty much, yes.

That was your understanding when you became program manager?---That's been my understanding from day one. It's never changed.

Thank you. Can I show you volume 15 then of the IBM ITO response. Mr Commissioner, I do have a copy for you if you want it.

COMMISSIONER: Thank you. I would be grateful.

MR FLANAGAN: Mr Doak, could you turn to page 783 of that volume please. You appreciate that in the course of IBM's ITO response clarification questions were posed by the evaluation panel and IBM would respond to those clarification questions?---Thank you.

In five it says - this is one of the clarification questions at page 783:

> *Where do you see the key risk in rolling out the interim Health HR solution by September 2008, for example, Queensland Health's ability to implement across the organisation in that time frame?*

You identify or IBM identifies in that those risks which they see. They identify first of all that:

> *IBM identified a number of risks relating to the interim solution that must be mitigated and managed. We have reviewed each and are confident that in conjunction with Queensland Health and CorpTech the interim solution can be delivered and inherent risk managed.*

You then identify the primary risk, including the solution roll-out:

> *A number of early assessment and mobilisation activities have been planned to ensure that this stream of activity commences early in the project's cycle -*

which becomes SOW 7. Yes?---Mm'hm.

Then under Scope Control:

The interim solution is based on delivering a minimal scope of work in addition to the functionality available in the current DOH pilot HR payroll solution. Will the interim solution and Queensland Health agree a scope of work that will be achievable in the time frame available?

So that's a question that's posed?---Yes.

And:

IBM has had previous and positive discussions with Queensland Health regarding the additional functionality that must be deployed by the interim solution project to reach the level of minimum functionality required to operate.

Were you ever made aware as program director of those previous conversations with Queensland Health?---They were encapsulated in the documentation which I inherited when I took over, such as the QHIC scope definition document, so only inasmuch as I familiarised myself with those documents.

With that document. Yes?---Yes.

Thank you:

Initial scope confirmation activities will confirm if the required level of functionality is achievable in the time frame, although it is our firm belief that the interim solution would require no more than the effort we have estimated in our proposal. Scope will require careful and rigorous management. It is important that Queensland Health works closely with the interim project team to manage expectations around scope.

Yes?---Yes.

As part of this, given that - and it was no fault of IBM - but this was an extremely tight time frame, wasn't it?---It certainly was.

In fact, unrealistically tight?---No, no. If all parties had bought into that time frame, it was achievable, in my opinion.

It certainly wasn't achievable in the end, was it, because the go live date was delayed ultimately to 14 March 2010? ---Yes, but there was a number of factors because of that, the first being that it never started on time to start with.

Quite. I'm not arguing with you. I just want to get to these points though, that - - -?---Right, but you made a

point there and I take it - the sentence you read out to me, "It is

important that Queensland Health works closely with the interim project team to manage expectations around scope."

Take that as a given. Take that as a given, but it also says:

> *Scope will require careful and rigorous management.*

And that's careful and rigorous management by IBM, is it not?---By all parties. Scope is not one - it's not what one party does to another party. IBM cannot develop the scope in isolation so all parties have to buy - and this was my point to Mal Grierson. All parties have to buy into the time frame, have to buy into the interim model, have to buy into the fact that we've got a very tight time frame to build an interim solution until the full solution comes along.

But if you were of the opinion at an early stage, and I know you don't come on till 1 July, but if an entity in IBM's position becomes convinced at an early stage that they are not getting the required cooperation from Queensland Health for the purpose of identifying business requirements, functionality requirements for the purpose of the build and implementation - - -?---Yes.

- - - one does something about it, doesn't it?---Yes.

Yes, all right. You don't accept, as I understand your evidence, that scope will require careful and rigorous management that IBM as the prime contractor who had the initial responsibility at least for identifying scope and identifying business requirements was to manage that?---My comment to this was that all parties are responsible for developing the scope. I agree with you. IBM have responsibility as the prime to gather that information, but if Queensland Health don't have some urgency around providing the information, as happened, then the time frame is not going to be achieved.

All right. Can I take you to page 821 then please in the same volume? It's in relation to item 5 that I draw your attention. It's a question put by way of clarification from the evaluation panel, "Agency specific requirements for Queensland Health are not available." Yes?---Yes.

Then if you go down to what is the third-last paragraph of the response from IBM:

> *We identified Health to be a high complexity agency.*

Do you see that?---Yes, I do.

Based on this assumption, the break-up of the WRICEF items was - and so you identify there certain interfaces. Yes? ---Yes.

And using the above assumptions, the number of agency specific WRICEF items identified in cost to Health was 47, including interfaces. Yes?---Yes.

Do you know what interfaces are actually being referred to there?---I would have to go back to the detailed documentation, but of course WRICEF count is a very standard way within the industry to measure work effort.

Can I put these two propositions to you then: consistent with IBM's response to the ITO, when you became the program director you appreciated that scope required careful and rigorous management?---Yes.

You also appreciated that Queensland Health was a high complexity agency?---You realise that this is a WRICEF term, high, medium, low complexity in terms of a WRICEF model?

Yes?---Okay. Yes, that's correct. In terms of a WRICEF calculation it was a high complexity.

Which is the calculation there, is it not?---No, no, no. Two different things. Under a WRICEF table you measure work effort by the WRICEF's, the interfaces, the forms, the reports, et cetera, but for instance if you take a - you have to produce a simple report, then that will be a low complexity R report. What they're saying in this case is that all of the reports enhancements and that factored fell into the high complexity column.

Thank you.

COMMISSIONER: By any measure, by any terms of definition, Queensland Health, the payroll, was complex, wasn't it? ---Absolutely.

Highly complex. When you talk in terms of WRICEF or ordinary conceptions, it was a very complicated system? ---Yes.

You must have understood that from the start of your term as the project manager?---Yes.

Is that right?---Yes, absolutely correct, Mr Commissioner.

And that underscores Mr Flanagan's point, doesn't it, that there was a need to manage scope rigorously?---Regardless, given the time frame, there was a huge need to manage the scope rigorously, yes.

MR FLANAGAN: Good. Can I go from there then to statement of work 7 and I am seriously seeking your assistance in terms of understanding how one decides whether a matter is in scope or not within scope because we are still struggling with finally determining that for the purposes of the evidence?---You appreciate that statement of work 7, 8 and 8A were all completed before - - -

I know, yes, but when you took over as program manager you do say that you've made yourself, not familiar, but you've reviewed them?---Yes, absolutely.

All right. Indeed, one would have had to continued to review them as disputes arose?---One needed to know what the scope definition document that was agreed by both parties had in it before one could argue what was in or out of scope.

Quite. So going then to statement of work 7, can I take you to volume 2, page 96? Now, it's probably easier if we all work off the same volumes, I know some of these documents are in your annexures but we'll work with the same volumes. So it's volume 2, page 96?---So that's page 76?

Page 97?---97? Sorry.

Can we start with the introduction in the third paragraph? It says, "In summary, the SOW services under this SOW relate to LATTICE replacement interim solution planning and scoping." That was the whole purpose of this statement of work?---Yes.

I think we've been served with the statement of Mr Prebble, who was very much involved in the workshops and in the functioning to arrive at some type of scoping document at least, yes?---Okay.

Thank you. "LATTICE replacement interim solution detailed design build implementation was to be a separate statement of work, which was statement of work 8," yes?---Yes.

All right. Then if you look at 2.1.1, approach and scope, "With the LATTICE replacement interim solution project, the contractor will implement a minimal payroll solution to Queensland Health." This is repeating very much what's in the response to the ITO.

> *Mitigate the risk of running an unsupported LATTICE application and allowing the enterprising business agreements, changes to be updated in the LATTICE replacement system. Contractor propose that the existing Queensland Health LATTICE HR payroll system is replaced by a solution based on the…*

So everything is consistent with what's in the response to the ITO?---Yes.

Under this SOW, it's to do a number of things, but one of the main things it does is defining the recommended scope. Yes?---Mm'hm.

From there, if I understand things, if one goes to page 99 and scope requirements, and that's envisaged, Mr Doak, is that IBM in conjunction with the SDA will determine the critical agency requirements for Queensland Health for interim solution. Yes?---Yes.

> *The agency specific requirements will be kept to an absolute minimum for the LATTICE replacement interim solution enough to satisfy the basic functions of paying, rostering and managing their human resources.*

That is, the minimum is always going to be ensuring that people get paid on their correct rosters, or the rostering system deals with it for the purpose of pay and managing their human resources, correct?---Correct. And that was my point to Mr Commissioner, it wasn't the enhanced or the full solution, this was just - - -

But a solution that worked?

COMMISSIONER: It is talking, isn't it, of an automated system?---No, it's talking about a cog in the process to pay people and we were replacing one of those cogs, which is the LATTICE core engine.

MR FLANAGAN: But what's being suggested at least, as you've talked about before, that what was built as the interim solution could be reused in the whole of government solution?---Yes, but I do want to be clear, and I'm concerned it's not coming across, there was a difference between an interim solution and the full solution.

COMMISSIONER: No, we all understand that. We may be at cross-purposes or where our understanding may be deficient is what you mean by "interim solution". I must say I had anticipated that it would be an automated system that might not do all the things that would be done when the whole of government was rolled out, but it would at least be a fully functioning automated system for Queensland Health? ---Mr Commissioner, LATTICE was an automated system.

But it wasn't, it required a great deal of manual workarounds?---And this was no different, so the full government solution would also still have some workarounds, it's, I think, reasonable to say that no-one would ever envisage that Queensland Health payroll would be produced without workarounds.

That may be right given its complexity, but can you point us to any document which identified which functions would be done automatically by computer and which would require manual intervention?---What I can do is point you to the QHIC scope definition document.

And that, you say, will tell us which functions would have been done by manual intervention?---No, that will tell us which functions will be done by the system. We're providing a computer system which is one part of the end-to-end payroll process, so the QHIC scope definition document will tell you what it is that we're going to build and what functions that will perform, and in reference to the other documents what each screen will look like, what functions would be in there and what functions therefore would not be in that process.

So everything that's not in the scope document was to be done by manual intervention or some other means?---Or some third party program. There were many different programs which made up a total payroll run, LATTICE was the core but was only one of them. So not everything that wasn't in LATTICE was manual.

All right, I understand that. We are still going in circles, which we've been doing for two months now. "Scope was required and managed carefully and rigorously," and at the end of that careful rigorous process surely someone produced a document saying, "These processes will be done automatically by computer, these will require manual intervention." Was that ever done?---Perhaps, Mr Commissioner, the document that, for me, was core for my role was understanding what was in scope as opposed to - - -

I know, we've had this debate endlessly, Mr Doak, with many, many witnesses and no-one can ever point to a document or a series of documents by which the parties knew what was in scope and what wasn't, and I take it, from what you say - is this right - that if something was in scope it was meant to be delivered automatically on an automatic system rather than by manual intervention?---Yes.

All right?---Yes.

On your theory, it is possible to identify a document which will tell us what processes were to be delivered automatically by computer program - - -?---Certainly.

- - - and which required manual intervention? Surely, you and Queensland Health/CorpTech both worked to that agreed document?---I think a good starting point is the QHEST scope definition document, that does - - -

Where is the finishing point?---Well, there are a number of parties that each had different roles in this. I would suggest - - -

I know, but you were managing it, everyone I think appreciated it, or perhaps no-one did it, everyone appreciated the need for rigorous, careful management of scope so that everyone knew what they were talking about, what was in scope and what wasn't. Is there a document anywhere that you've ever seen that has that definition? ---Not that I've seen. I would direct that question to Janette Jones, I'd feel confident that she would have that end to end view.

All right, thank you.

MR FLANAGAN: Still dealing with SOW 7, if I may, I then take you to page 102. It describes the deliverable under SOW 7, does it not? It's going to be a scope document for QH requirements for payroll replacement and rostering, including business processes, awards, WRICEFs and integration requirements, including that with the current finance solution. The scope document's going to cover those topics, yes?---Yes.

And this document will include sections that address the areas defined in section 2.1.1C of this SOW, including implementation plan for moving existing rostering solution to Workbrain - - -?---Yes.

- - - that is, you were moving the existing rostering system under ESP to Workbrain?---That's correct.

Then, if I can take you to the top of page 103, which is the heading "Responsibilities and Other Terms", it's a reference back to the prime contractor model, isn't it? It says, "The customer," and I take it "customer" here is CorpTech, or, in terms of the agency that you're dealing with, Queensland Health:

> *Will not perform further scoping design, development, testing or roll our functions. The contractor has the opportunity to transfer existing required resources from the customer to the contractor. The contractor has management responsibility for the transfer of resources.*

That seems to be a repeated phrase and referenced back to the prime contractor model both in SOW 7 and SOW 8, and indeed I think it might even be in 8A?---Okay.

You deal with these things all the time. What do we understand that to mean?---If I may, my understanding of this is that there was work going on within Queensland Health to improve their payroll capabilities, so QHEST had a large team working on this, so there had to be a point in time where that work stopped and our work started and as part of that, and part of this contract, there was the intention in fact - what happened is that a lot of those people that were doing that work transferred into our broader team.

All right. Therefore, they became part of the IBM team and - - -?---Well, they became part of the QHIC team.

The QHIC team?---Yes.

But also you became responsible for their management? ---Yes, we did.

Yes. So they, in effect, came under IBM's control. Yes? ---Correct. We had CorpTech resources. We had Queensland Health resources and many contractors as well as IBMers.

Would you agree just reading the SOW 7 passages I've taken you to that IBM stands in the position as prime contractor, albeit doing it with the SDA, of eliciting from the client agency, Queensland Health, their business requirements for the purposes of determining, at least, minimal functionality?---Yes, I would agree with that.

All right, thanks?---You may find it useful, there's a very good roles and responsibilities table for all of the parties which spells it out in more detail

We'll come to that in the definition of scope?---Okay.

Yes. Then in terms of the deliverables, acceptance criteria and process, the scope document for QHIC requirements and the acceptance criteria is a standard IBM standard template for scope document which you say is constituted by the QHIC scope definition document?---Yes.

Yes, thank you. Then, finally, just for noting at page 108, this deliverable was due on 24 December 2007? ---Okay.

Quite. From there can I take you to SOW 8, which you'll find in volume 4 at page 1. It's 8A. Did I say eight? It's SOW 8A I'm taking you to?---Yes. Which page, sorry?

Page 1.

COMMISSIONER: Page 1, I think, Mr Flanagan said.

MR FLANAGAN: I don't want to unnecessarily burden you, but unfortunately your copy of SOW 8A in your annexures is different to the one in the inquiry's folder.

COMMISSIONER: Is the difference significant?

MR FLANAGAN: The difference is actually worth going to because there might be something in it, I'm not too sure, but I'd like it explained, at least.

Can I take you then - - -?---Is this the version 1.2? Sorry. Is this the version 1.2?

SOW 8?---That we have here?

Yes, version 1.2.

COMMISSIONER: Yes, yes. Where do I find - - -

MR FLANAGAN: Actually, can I say, over the luncheon adjournment or just recently, it would seem that Mr Doak's copy has now been inserted so that one has two copies of SOW 8A in the folder.

COMMISSIONER: In volume 4?

MR FLANAGAN: In volume 4.

COMMISSIONER: Right.

MR FLANAGAN: You mightn't have that, Mr Commissioner. Do you have two versions of this SOW 8A?

COMMISSIONER: I don't think I do.

MR FLANAGAN: No. In that case can I ask you to also go to volume 5 of Mr Doak's annexures at page 1434.

COMMISSIONER: 1434?

MR FLANAGAN: 1434, yes, please.

COMMISSIONER: Yes, I have it.

MR FLANAGAN: Thank you.

If you look at volume 4 at page 4 of the SOW 8 that we have in our volume you'll see there that there is in fact nothing under payment milestones or 7.1 payment schedule, whereas if one looks at Mr Doak's version at tab 141 of volume 5 at page 1437, you'll see that there are in fact payment schedules for milestones?---Yes. I can see that.

The first one is LATTICE replacement design implement and deploy from 2 January 2008 to 18 January 2008 and that

actual deployment is in fact agreed statement of work 8. Is that correct?---Yes.

Yes. There was no further scoping done by SOW 8A, was there?---The - - -

COMMISSIONER: You mean after January 2008?

MR FLANAGAN: After January - sorry. No.

What I'm asking is is there - I should just ask you to explain it to us, did SOW 8A contemplate any scoping?---I do not think so.

Quite. If you look at your pages, and your copy seems more complete so we'll work off yours if we may?---Okay.

If you go to page 1435, "Approach scope and deliverables," paragraph 2.1.1, the second paragraph:

> *Under this SOW the contractor will conduct detailed design, implement and deploy activities described in the deliverables in SOW 7 for the period 2 January 2008 to 18 January 2008?*

---Yes.

So the scoping that's been done is actually done under SOW 7. Yes?---Yes.

The deliverable for that is the scoping document, which I'll take you to very shortly - - -?---Right.

- - - which is the QHIC scope definition document?---Yes, that's correct.

Yes. This SOW 8A is for the purposes of conducting that detailed design, implement and deploy activities?---No, that's correct. Yes.

All right, thank you.

COMMISSIONER: So does that presuppose that the scoping has been done beforehand? Statement of work 8A presupposes scoping has been done and based upon the scoping exercise you will design, implement and deploy the system?---That's correct, Mr Commissioner.

Thank you.

MR FLANAGAN: You see the deliverable - there seems to be some confusion. I'd like your opinion on it. The deliverable under SOW 7 is the QHIC scope definition. Yes?---I think so. Yes.

I think it's accepted by CorpTech on or about 25 February 2008. Yes?---That sounds about right. Again, all before my time, but of course - - -

I'm actually going on a paragraph of Mr Prebble's statement?---Okay.

And the actual sign off on it by - it was to be Mr Burns and Mr Hickey, but the sign off actually happens between yourself and Mr James Brown. Mr Brown signs it, I think, on 25 August 2008 and you sign it and I'll take you to it because I can't quite read your writing, but it's around 20 August or something. The only deliverable under SOW 7 was this. The deliverable under SOW 8A was in fact SOW 8, wasn't it?---I'm not so familiar with those. As I say, they were before my time, but certainly from my perspective, the deliverable was the QHIC scope document which then became the basis for the design.

All right. If you look at page 1435 in your document at 2.1.2, "Deliverables subject to acceptance, agreed statement of work 8, LATTICE replacement design implement and deploy." That's a deliverable under SOW 8A, isn't it? ---Yes.

Then if you turn to page 1437, again, payment milestones. I've taken you to that already and that's consistent with the deliverables suggested. Yes?---Yes.

All right, thank you. From there may I take you to statement of work 8 which is in volume 4, page 15.

Now, once again, unfortunately the copy that we have in our folder at volume 4, page 16, or page 15, seems to be slightly different to the copy of SOW8 that you have in your annexures which I think you will find at volume 5 of your annexures commencing at page 1410. That, Mr Commissioner, is tab 140 of volume 5.

COMMISSIONER: Yes, I've got that, thank you.

MR FLANAGAN: Unfortunately, I wouldn't take you to these differences if there wasn't some slight significance in it, but there would seem to be an important difference between the two documents, in that paragraph 1.2 of volume 4 at page 16 is not in your document. So on page 1411 of your document it says 1.1 "Recommendation" but it doesn't have 1.2 "Open issues". Do you see that?---Yes, I do.

The importance of the open issues in the commission's copy of SOW8 is this. It says:

> *"It was agreed at the QHEST scope definition deliverable review meeting held on 17 January 2008 -*

and you can take it there was a large meeting of a number of people, including IBM, CorpTech representatives, where certain things were discussed -

> *and a number of open issues remained unresolved at this point in time and that when resolved may result in a change to the scope of work required under this SOW8 and that this at the discretion of the contractor may necessitate a change to this SOW8 under the agreed change control process.*

Now, what I understand that to mean is that at the meeting on 17 January 2008 when it was a meeting to resolve, if you like, any differences between IBM, CorpTech and Queensland Health in relation to the scope definition document that a number of issues remained unresolved. The document ultimately gets accepted on or about the 25th of - I might say, I think it's 25 January. I might have said February before, but we'll come to the actual date. Then what this seems to indicate is that if there are any subsequent changes that are not contained in the scope definition document from 17 January 2008 that that can bring about a change request?---Yes, that's how I read that too.

Yes, good. The puzzling thing I find about that is this, Mr Doak, that even when the parties are not ad idem about scope as early as 17 January and there's open issues - and one can go to Mr Prebble's statement. We will call him, ultimately, but there seem to be significant issues, or some significant issues, that even without that agreement the deliverable that's coming under SOW7, the QHIC definition scope - - -?---Scope definition, yes.

- - - not yet agreed is going to be the subject - - -?---Of changes.

Of changes. Is that normal?---It's not unusual. So there is often - and again, it's normally due to compressed time frames. It's not unusual to leave open some issues to be agreed, and this was a very compressed time frame. There were a number that I inherited when I joined.

What I'm having difficulty with this is that under SOW7 as a contractual term it would seem that IBM in conjunction with the STA are required to elicit from Queensland Health the business requirements for the purposes ultimately of the build - of the scope. Yes?---Yes.

As part of that contractual duty why would you have open issues left before you resolve the final document? ---Typically because the client isn't in a position to provide that information at that point in time. That's normally the reason.

Is there any process whereby at that stage of the contract IBM audits the process and says, "We haven't been able to get out of them their business requirements, or we certainly haven't been able to get out of them their minimal functionality that's required. In fact, it's looking a bit dangerous for us, because they can't even identify them at this stage and we're under time constraints, therefore we will say we can't perform"?---No. No, IBM would assess the risk of the open items, but there is plenty of work which can get started and the teams can get under way without these being closed at that point. Now, they should certainly have a point in time where they do - they become critical, on the critical path, which they do have to be resolved by. So providing that's identified, that's certainly not unusual.

The risk for IBM, of course, is dealt with by saying that if there's any changes to the scope document then that constitutes that a change request and then you can charge more money. Yes?---Well, only if it costs more to deliver. So to be clear, it only costs more money - we get paid for the work of people. So if there's more work to be done - and again, there's the mechanism around the RICEF count to actually identify and agree using an industry standard what the extra work is. So if we have agreement on there's extra work to be done then that would be priced accordingly. If it was included in here up front the price would reflect that anyway.

Good, thank you. Now, you weren't informed, or no-one gave you a report, as to the meeting of 17 January 2008 when you took over as program director?---I certainly don't recall that, I'm sorry.

Is it correct then to understand, if we look at SOW8 in more detail, that's a paragraph that's missing from you, but what's in common between the documents is what's contained under LATTICE replacement scope, which is at page 17 of volume 4. You can take it from me that it would seem, on my quick reading of it this morning, that those two topics, LATTICE replacement scope, are the same wording?---Okay.

What I want to bring to your attention is this, is paragraph 3, and I'm going to ask you to explain to us what it means:

> *The scope of IBM, the contractor, services and deliverables proposed under this SOW is defined within the deliverables QHIC project scope definition version - - -*

COMMISSIONER: Mr Flanagan, where are you reading from?

MR FLANAGAN: From page 17, the third paragraph, volume - - -

COMMISSIONER: Yes, the scope of IBM.

MR FLANAGAN: Yes.

COMMISSIONER: Yes, thank you.

MR FLANAGAN: "The scope of IBM", yes -

> *proposed under this SOW is defined within the deliverables QHIC project scope definition version 0.12. This document should be read with regard to the accountabilities defined in section 2.3 which details the contractor's responsibility under this SOW8.*

Yes?---Yes.

That is, of course, a reference, is it, to the accountabilities under the scope document?---Yes.

Which means that even if - as I understand this contractual term, even if SOW7 said that IBM were responsible for identifying business requirements, one could have the scope document altering the arrangements between the parties? ---The point of this, of the accountability section in 2.3, is to provide a greater level of definition. There should be no contradiction between them. There is no contradiction between them.

When you say there's no contradiction between them, have you checked it yourself or you knew it as a matter of being in your position of - - -?---No, I've checked that myself.

Right?---I've been through that the accountability statement, because again, the project scope definition and the responsibility matrix are very key to determining what is in the scope.

Can I then take you to the next paragraph? So you're talking about the scope definition document and it's delivered on 24 December, then you say, "As at 8 January 2008" – sorry, this is in our document. The only reason I think your document is earlier in time is because you do have one reference there to as at 7 January 2008 rather than to 8 January 2008?---Okay.

So this would seem to be the later document?---This looks to be more complete.

So this document, which is actually the commission's document, seems to be more complete than yours?---Yes, I think so.

The reason I've gone to this is that we should take it then in terms of interpreting these documents that one should have reference to clause 1.2 open issues?---Yes.

All right, thank you. Again, if you look at that third paragraph or the fourth paragraph, it says:

> *The contractor has not received comment from the customer regarding this deliverable and this being the case, this SOW 8 is based on the version identified above. Changes to this document may, at the contractor's discretion, necessitate a change to this SOW 8 under the agreed change control process.*

That is, if something from that time on, at least, in relation to SOW 8 - from that time on if there was a change in scope not identified in the scope definition that would constitute at your discretion, IBM's discretion, a change request?---Yes. This was the problem I referred to earlier that whether it was because it was the Christmas holidays or whatever, we were on a tight schedule and the customer was not available to provide their input.

All right. Do we take it then that each change request of IBM was to be assessed against the QHIC scope definition document?---And others. There are many other documents, but you're right. That is a key primary document for that purpose.

In fact, one would identify or evaluate a change request against the QHIC scope definition document and any other change request that had happened prior to that change request?---Yes, that's correct.

All right, thank you. Can I take you to page 23 of SOW 8 then?---If you like, that document is the baseline for the design and build.

Yes. At page 23 it deals with accountabilities under SOW 8. Yes?---Yes.

You'll see there that accountabilities for agency requirements does not have IBM. It actually has QHEST? ---Which line?

That's in the third box, the second line?---Oh, yes. Yes, correct.

That's under scope development and documentation?---Yes.

Would that seem to be a change, however, from SOW 7 which identified IBM as the person acting in cooperation with the SDA as eliciting from Queensland Health their business requirements?---No, I don't think so. I think it's always the responsibility of QHEST to provide the business requirements.

Again, we're a bit confused. Can you explain the difference between what your responsibility under SOW 7 was, which I've described as almost a duty to elicit, and this accountabilities table which has agency requirements - this is for scope development and documentation - is with QHEST?---Well, under the scope development and documentation, all of the functions are listed which have to be performed. So the point I made very early on was that this is not one party to another party. There has to be a level of collaboration and, again, a level of urgency given the time frame from both parties. Specifically, in terms of scope development and documentation, the agency requirements had to be provided by QHEST on behalf of Queensland Health. It wasn't IBM's responsibility to go out to the world of Queensland Health to get those. QHEST had the role of collaborating those requirements and providing those under IBM's responsibility to IBM (sic)

COMMISSIONER: Mr Doak, I don't find that difficult to accept. I mean, Queensland Health had the information? ---Yes.

But in the end IBM had taken on a contractual obligation to build a workable payroll system?---Yes.

And to do that you had to be satisfied that you had enough information to do that?---Yes.

Although the information was with Queensland Health and they had to gather it and provide it, you had to be sure, hadn't you, that what they've given you was complete, to the extent you could?---Yes, yes.

You had that obligation, that responsibility to elicit from them as much as they would or could give you?---Absolutely, Mr Commissioner. So what we do, we put that together in the QHIC scope definition document. We then give that back to them and, in this case to QHEST because they are the IT managers of this, and say, "Does this accurately reflect what you believe are the requirements?"

I was going to ask you that. You didn't, or did you, just passively accept what they gave you or did you question them about what else they might have that you needed? ---It's a reiterative process through the workshops that are run at that time. All of it is challenged. All of it is backwards and forwards. It's a gruelling process,

especially within the time frames which were very, very tight. So, no, we don't passively accept it. There's a certain level of knowledge that our team brings to this, our business analyst bring as well, so we're not coming into this ignorant and so it is a collaborative process.

Thank you.

MR FLANAGAN: But it's the case, isn't it, that after SOW 8 you having elicited from Queensland Health their business requirements for the purposes of doing the QHIC scope definition, this is actually saying, is it not, that if you have any further agency requirements they have to come from you?---They have to come from us.

From Queensland Health?---Correct. Yes, absolutely correct.

So after the scope document has been delivered as a deliverable under SOW 7, did IBM view its role in terms of eliciting any further business requirements from Queensland Health for the purposes of building and implementing the interim solution to be finished?---Yes.

Thank you. Can I then take you to the last box on that page, detail design. It says in the third-last point, "Integration, legacy and other," and it's got, "IBM solution"?---IBM CorpTech, yes, solution architect.

I'm sorry. Your copy is - - -?---Sorry, IBM solution architect.

Your copy is better than mine then. That integration legacy in "other" did that become an ongoing problem between the parties?---The HR and finance integration?

Yes?---Yes. That specific point did become an ongoing issue in terms of what was covered in that scope. Yes.

But initially, at least, under SOW 8, and correct me if I'm wrong, but as I read that IBM, CorpTech solution - or IBM solution - I don't have a good copy of it?---Yes. It's not good.

But it was a responsibility of IBM not Queensland Health. Yes?---Yes, that's correct.

All right. Could I take you to page 33 of the document. At page 33 it's an indicative timetable but it's actually giving us a fairly accurate - and correct me if I'm wrong, Mr Doak - but it seems to give us an accurate time line of what's actually happened and you'll see 6.1.2 scope, 26 November to 24 December 2007 completed, SOW 7. The deliverable under SOW 7 was, of course, the QHIC scope document which definition - delivered on 24 December 2007? ---Yes. That is correct.

But it would seem there were further discussions about that document before it's accepted by the client. Yes?---Yes, I think so.

Including the meeting of 17 January 2008?---Right.

"Within this step, the project manager will" - and it says what they'll do, "Agree with Queensland Health the minimum scope required for the interim solution." Does that mean that the QHIC scope definition document will contain for the commission, at least, if we read it carefully - it should contain the minimum scope required for the interim solution as agreed between IBM and Queensland Health? ---Yes, that's correct. There are a number of other documents it refers to, but that is the primary document.

All right, thank you. And it also says, "Prepare as is assessment in conjunction with Queensland Health and CorpTech that establish the baseline upon which the solution will be built"?---Yes.

So that should also be in the QHIC definition document? ---Yes, that is correct. It is.

And it says, "Prepare a detailed statement of scope based on the eight levers of scope approach," again in the QHIC definition document. Yes?---Yes.

From there may I take you to the scope definition document which you'll find in volume 4, page 63. This morning I think your solicitors provided to the commission a different version of QHIC scope definition that's in our volume 4, page 63. Is that correct?---I'm sorry, I don't know.

You don't know?---I provided you with a different version.

Can I show you this version? It will ultimately become volume 1, tab 5, of the annexures to Mr Doak's statement.

COMMISSIONER: Is there a second copy for me?

MR FLANAGAN: I only have one copy and I've sought others from the solicitors for IBM but - - -

COMMISSIONER: No doubt they'll come.

MR FLANAGAN: They'll come.

MR DOYLE: We understand it's the same just that it's got signatures box on the front?---It looks like the same version.

I'll get copies, but unless I'm corrected we understand it's just the first sheet that's different because it's got the signature box for them.

COMMISSIONER: If that's all there is there's no point providing it.

MR DOYLE: I wonder if there's something more subtle about it, but if that's all there is we'll give you a substitute from page.

MR FLANAGAN: No, that's what I was provided with, I wasn't provided with the signature page on it, I was provided the entire document.

MR DOYLE: I agree, but the difference is the signature page.

MR FLANAGAN: I see. That wasn't explained to me. So that might be in the commissioner's bundle then, if you have the signature page, so it should be volume 1, tab 5.

COMMISSIONER: Volume 1 of Mr Doak's annexures?

MR FLANAGAN: Yes, volume 1, tab 5 of his annexures. Mr Commissioner, you don't need to go to it - - -

COMMISSIONER: All right.

MR FLANAGAN: - - - we can use our version then if that's the only change. You'll see there that it's signed by James Brown on the first page on 25 August 2008? I'm sorry, if you look at the copy I gave you?---Sorry.

It's signed by James Brown on 25 August 2008?---Yes, and signed by me on, it looks like 4 August.

4 August? Thank you. To your knowledge, was the deliverable under SOW 7, however, accepted on or about 25 February 2008?---I could not be precise on the date but I do believe - well,

I certainly do believe it was accepted somewhere in the January, February time frame.

All right. Do you know why it wasn't signed by Mr Brown and yourself until August 2008?---No, I don't, unless it incorporates the change request between those two periods, whether it's been updated with those change requests, that's the only thing I can suggest.

All right. Thank you. If you turn to page 64 of volume 4, you'll see there it has the revision history?---Yes.

In the terms of the revision history, for version 1, 21 February 2008, the document updated following meeting with all those entities and other business stakeholders on 17 January 2008, yes?---Yes.

And that's the same reference that we've taken you to in SOW 8?---Right.

Thank you. If I could go to this document by starting at page 73, please?---Going to your one or the one I've got?

Our one. I'll take that back off you, if I may, Mr Doak, so you won't be burdened with it. The only reference in this document to minimum scope seems to be at 2.2.1, at page 73. If you just read that. Yes?---Yes, sorry.

And then if you go to page 86 of the same document, it actually gives an outline of how this scope document was arrived at, yes?---Yes.

And then if you turn over to page 87:

> *Where new requirements were identified for inclusion in the interim solution, the relevant processes and supporting RICEFs were reviewed to identify the potential impact to business processes and the development effort.*

And then below is a list of the workshops held, yes?---Yes.

All right. Thank you. Now, once that scope document was in place there were other change requests that impacted upon it, is that correct?---Yes, that's correct.

In particular, change request 61 and change request 60, and also change request 184?---Yes, that's correct.

All right. Thank you. Can I ask you simply at this stage to note at page 106 of this document where it deals with

Workbrain functional scope, and it has a heading "Leave Management", can I simply ask you to read that and note it?---Yes.

Similarly, at page 128, Mr Doak, it says that, "QH will be responsible for the identification of development testing implementation," et cetera. Could you then just note that?

COMMISSIONER: Sorry, 128?

MR FLANAGAN: Page 128.

COMMISSIONER: Where abouts?

MR FLANAGAN: It's the last dot point?---"Given the complexity at the MAN series application"?

Yes.

COMMISSIONER: Yes, thank you.

MR FLANAGAN: So that becomes a QHEST responsibility under the scope definition document, yes?---Yes.

But you might have noticed, and I'll take you to this later on, but you might have noticed under SOW August the Legacy interface was identified as - you had a copy - but it was identified as an IBM build, yes?---Yes, build.

Yes?---Correct.

Again, for our purposes, can you explain what the difference is between the identified - - -?---The point here, to make it easier, is that the scope, that would be agreed but because IBM is doing the build of the solution it would be the one to physically build those changes. That's a very crucial point because that becomes the issue later on where were looking to use PAYMAN and then PAYMAN was taken out of scope.

Can I just ask you, having gone through that exercise, can you answer this: how did IBM determine, for the purposes raising a change request, whether a matter was within scope or outside scope?---The QHIC scope definition document and all the references within that document was the basis for that.

All right. Can I do this exercise with you, and it might assist us to understand it, can I just actually take you to a change request, which is change request 194, volume 9, page 84?---Page 194?

Sorry, page 84.

COMMISSIONER: Yes, change request 194.

MR FLANAGAN: It's change request 194, and it's a change request that happens while you're there as program manager? ---Yes.

If you turn to page 85, you'll see on the second sentence that, "The change request description to enable the entry criteria for UAT to be achieved on 5 May 2009 and to allow the UAT testing to progress in accordance with the current schedule." So it then identifies at page 86, "To undertake the correction to QHIC SOW8 severity 2 defects as identified in the table below," and as I read those defects they would seem to be defects about Workbrain. Would you agree?---We enter into an area where the definition of defects was in question. So these were raised as changes or enhancements or defects. I don't have the technical detail to - - -

Quite, but this is an IBM document. It's a change request that they're raising. Yes?

MR DOYLE: No. With respect, my friend should look who raised it.

MR FLANAGAN: Thank you. The description is "any defects" and I don't want to discuss whether they're defects or not. I'm actually concerned about how IBM determined whether these defects were within scope or without scope?---Well, as I say, the only way that that can be determined is to go back to that core documentation. Now, why Malcolm Campbell would raise this as a change request to pay IBM to include them can only be because the SPO had determined that they were out of scope.

COMMISSIONER: Well, regardless of who asked for the change, is the essence of the change to say that these things aren't defects, they're requirements that were in the scope?---Correct. If they were defects then we would be fixing those at our cost.

I understand that. I understand that, but Mr Flanagan I think is exploring with you how can we find in the QHIC scope document whether these are or aren't in scope, regardless of who raised the change request?---That would take a fair bit of work. Typically it was two to three days for each of us. That's - - -

Two or three days to work out whether it was in scope or out of scope?---For this level of detail, yes. This is very technical, very low level, and - - -

When you say a lot of that, you mean detail?---Well, this was one of the reasons why we moved away from the definitions, so we didn't argue anymore about what was in and out of scope, because the team who would fix defects were getting bogged down with going back and reviewing whether they were in or out of scope. So we made this pragmatic redefinition set to defects, which is, "Let's not argument about it and let's have turning focus on fixing it if it affects net pay." So, you know, there is a huge amount of technical work to determine where these are covered and the documentation.

We won't stay two or three days there, I promise you, but where would one start in the QHIC scope document to ascertain whether these are or aren't in scope, whether these requirements, the negative balances and so forth, meal allowances and what time codings were or weren't in the scope?---Right.

I'm not asking you to do it now, but - - -?---Whereabouts in the scope - I couldn't tell you which page, but - - -

No, but would you go first to that QHIC scope document? ---Yes, we would. Yes, absolutely. That would have a reference to a technical document.

We might just try the - we won't take two days over it, I promise, but we might just try that, which I think is what you were going to do, was it, Mr Flanagan?

MR FLANAGAN: Yes, that's what I'm - we're just trying to work out the process, that's all?---Yes, sure.

Can I say, we appreciate if you look at page 88 that 12 defects have been identified by IBM which have been assessed as out of scope for the Queensland Health LATTICE payroll replacement project. Page 88?---Yes, and it's signed by Margaret Berenyi.

Yes, quite, but I'm not interested in that. What I'm interested in is how does one assess then - if you go back to the QHIC definition scope document, how does one assess whether the correction of these defects by IBM is within or out of scope of the definition document?---Well, you know, frankly, this is something that as the program director I wouldn't do. We would have - the Workbrain team would do that.

Quite. Can you give us any assistance in that regard or should I be asking Mr Hickey?---Mr Hickey or Mr Cameron, probably. This would be done at two, three levels down. I note - and this would involve CorpTech, obviously, and Queensland Health.

COMMISSIONER: Sorry, are you saying that you can't look at that 140 page long QHIC scope document, you'd have to go to the documents by - - -?---They refer to - for the technical detail, yes, Mr Commissioner. It's not an easy task.

MR FLANAGAN: Well, is that one of the reasons why - not in this particular instance where there seems to be grateful agreement between the parties that it's out of scope, but where there was continuing disagreement as about what was within scope and outside scope, is there a difficulty in identifying through all those technical documents referred to as the related documents in the QHIC scope definition document - is that a difficulty in terms of identifying what's within scope and outside scope? ---It's always an issue with every project. The complexity of the awards here make this a level more difficult. That would be a fair comment.

Can I then take you to paragraph 149 of your statement, Mr Doak?

COMMISSIONER: Before you leave the topic, Mr Flanagan, Mr Doak, that QHIC scope document refers itself to a number of other documents?---Yes.

But they don't, I think, deal with the topic in the detail that you've been describing. As I understand it, the documents referred to in the scope document are themselves earlier CorpTech specifications from the days when CorpTech were trying to introduce the Shared Services Solution. You are talking, I think, about a different set of documents which would deal with these questions in much more detail? ---Yes, Mr Commissioner. I would have – I could find that reference point for you tomorrow, if you wish.

All right, thank you, because I'm just wondering whether those more detailed documents which I gather would run to hundreds or thousands of pages, were of themselves agreed between the parties, between IBM and CorpTech?---Yes.

They were?---Yes.

Were they delivered at the same time as the QHIC scope document?---On or about, but they were signed off by the appropriate parties.

MR FLANAGAN: In paragraph 149, this is where you refer, I think, to Mr Hickey's candid email?---Yes.

Can I take you to that, Mr Doak? You will find it in your annexures. It's in volume 5, page 97.

COMMISSIONER: Whereabouts?

MR FLANAGAN: In volume 5 of Mr Doak's annexures and – actually, I might have the wrong reference there, Mr Commissioner. Sorry, it's volume 3, tab 66. Mr Hickey is reporting to you as program director, is he not?---As project director for the QHIC work stream.

All right, and he deals with the Workbrain awards and the defect backlog has reduced from 98 to 69, he's reporting to you?---Yes.

It's called The Good, the Bad and the Ugly and under the Ugly you will see there point 1, second sentence, "I believe that Queensland Health and CorpTech are in a significantly worse position on accountability for delay than in August 2008," and then he lists a number of reasons. What were the surrounding circumstances in relation to that issue being raised by him?---The delay in information, in providing information, the qualified sign-offs on documentation on deliverables. They were the two main reasons. As you will appreciate, under the contract we had time frames for actions and where they were missed it caused delays to the schedule.

And then in relation to the HRFI:

> *Integration issues have been analysed and we have 110 days' work to address them. This will drive the schedule to the right by anywhere between seven and 10 weeks. I am firmly of the view that is a change to the scope of the HRFI solution signed off by Queensland Health.*

Do you see that?---Sorry. Yes.

He's expressing that opinion to you. You knew at the time there was a dispute between the parties as to what was in scope and not within scope, particularly in relation to the HRFI integration?---Yes.

But he also refers there to change request 60 and he says:

> *But also protects IBM from the impact of this work because there is an assumption in this CR that Queensland Health bears the risk of the change to solution. This issue will cloud any discussions re schedule change from November 2008.*

Yes?---Yes.

I won't take you to it, but if one does go to change request 61 in volume 5 at page 97 as marked, it actually does reflect the point that Mr Hickey is making, namely, that Queensland Health bears the risk of the change to the solution?---Right.

It would seem to me that the way that it's been communicated between yourself and Mr Hickey as to how this dispute or lack of clarity around a scope issue is to be clarified is - quite obviously as a vendor that you're saying: we can protect ourselves in terms of any allegations of delay by saying, "It's Queensland Health's risk for this change not ours." Yes?---Sorry. I don't think that's the point that Mr Hickey is making to me. I think what he's saying initially in scope was the minimal requirements for HR finance integration. So that's what we intended to do. There was agreement that we would use PAYMAN to do that. Queensland Health came back in this process and said, "No, we actually want more than just the minimal requirements and by the way PAYMAN, therefore, cannot be used so we'll have to change the method by which the interfacing is provided." This went from a minor job to 110 days significant job to interface directly. What Mr Hickey is saying:

> *Understand that that is going to create a great risk time wise in getting everything done to the schedule and so we don't want to do it. If Queensland Health insist they have to do it, it is*

going to create a risk to the schedule and they will, therefore, have to accept that that is their responsibility.

Accepting all that, you at least identified through this sort of correspondence that scoping issues were still outstanding?---Yes.

And a constant worry. Yes?---Consistent throughout right up to really prior to go live - consistent issues.

And here we're talking as at 4 January 2009. Yes?---Yes.

By January 2009 you must be acutely aware that scope disputes and what is within scope and outside scope has not been resolved between CorpTech, IBM and, indeed, Queensland Health?---Yes. Yes, that's correct.

Particularly when one of the questions here is a scope of works that, as you say, involves 110 days' additional work. Yes?---Yes.

Which would put the schedule back anywhere between seven and 10 weeks?---And this was our frustration and, again, we were there to do a minimal build, a like-for-like replacement. We had requirements like this which come up, which are now mandatory that it's not a minimal HR finance integration. It's a full-blown direct integration which is going to blow out the schedule. The only thing that we can do is say it's going to cost time and money to do it. It's certainly not our desire to push out the go live and make these changes, but when the client tells us it's absolutely mandatory and they will pay for that change then we have to accept that.

There obviously had to be some HRFI integration, didn't there?---Absolutely.

Yes?---And as you'll see in the original scope definition document, the word "minimum" is used again. Again, like for like, using PAYMAN. That was all agreed as part of the scope. This was a change from using PAYMAN, a change from minimal.

Irrespective of contractual requirements, irrespective of whether Queensland Health were experiencing difficulties in identifying and providing to IBM their business requirements and, indeed, irrespective of the fact that some of these change requests or these changes in scope were coming from Queensland Health, did you feel any compulsion to try to resolve the issue of scope?---Of course.

Yes?---Of course. And we tried - we instituted many pragmatic measures to do that, such as the requirements traceability matrix, such as the redefinition of defects,

such as parallel running on a number of the processes. Yes. Our desire was to finish this to get back to the whole of government program. That's where our interests lay.

Up until this time, though, and continuing on from this time, IBM were dealing with these changes in scope by means of change requests. Yes?---Yes, yes, and I was meeting with Mr Grierson weekly to discuss this with him and trying to elicit his support to stop these changes.

Do you agree that in any properly managed project, scope should be detailed and identified at the very beginning? ---Yes.

And, indeed, this is what was intended through SOW 7, wasn't it?---That's correct.

In relation to that work, it was IBM, at least initially, who was required to elicit from the customer their business requirements so as to build the interim solution?---Well, elicit? It's got to be a mutual thing. We can't drag it out of them if they don't have the requirements or aren't in a position to provide them or wish to keep them vague so they can build on it later. That's out of our scope, out of our control - bad word - out of our control.

But you had already identified as a risk the fact that Queensland Health was a very complex agency. Yes?---Yes.

You'd also identified as a risk that the scoping required careful and rigorous management?---Yes.

It would seem that the scoping that up until this time, January 2009, apart from change requests 60 and 61, was really the scoping exercise that had to be done originally. Yes?---Yes.

By January 2009 did you feel as the program manager that the parties needed to meet again for the purposes of identifying scope so that these sorts of issues did not further arise?---We discussed scope every single day.

COMMISSIONER: That doesn't quite answer the question. Mr Flanagan's point was did you think there were times where you would go back and regroup and get a comprehensive view of what scope was required rather than deal with it on an ad hoc basis, change request by change request?---Yes. Certainly, Mr Commissioner. My point there was that it was in our interests to lock down scope. I'm not convinced it was in Queensland Health's interests to lock down scope. We were moving well away from the minimal interim replacement that we thought we were there to build and I am not convinced that everybody in Queensland Health was upset about that.

Mr Doak, sometime in 2009, really the end of 2008 - September 2009 the whole of government project, the Shared Services initiative was shelved and IBM's role became just to replace the Queensland Health payroll. At that stage the solution was more than an interim one, wasn't it? It would have to last Queensland Health?---No, Mr Commissioner. The conversation with Mr Grierson - he was the one who informed me of the - how he put it and I think it's in the documentation that there was a temporary hold on whole of government until QHIC was delivered. Once that was out of the way then we would revisit whole of government. So we never moved from the premise that this was an interim solution, not for a minute.

Can I then take you to exhibit JBS 9 to Mr Swinson's statement and for that purpose, rather than go to Mr Swinson's statement, I've made copies of that document. You deal with this in your statement, Mr Burke, and you say that the file note seems to accurately record what was discussed on the occasion of this meeting that occurred on 29 January 2009. Yes?---Yes.

All right. Thank you. Can I take you to it then? Can I start at page 1 of the file note? At the very end Mr Swinson says:

> *Looking for IBM to demonstrate that it can deliver a robust solution that meets the performance requirements covering everything that is in scope, acknowledging there is some dispute as to what is in scope and what is out of scope.*

So at least the parties by 29 January 2009 had identified that there were disputes about what was in scope and outside scope. Yes?---Yes, certainly.

And then over the page, it's you speaking at the top of the page. You say, "Proposal IBM gave compromised position. Proceed with project on current scope and timetable." That's a reference, is it not, to the definition document and any change request that had been - - -?---Yes.

- - - incorporated into the contract. "And proceed with deliver end of June." End of June 2009, which was a contemplated go live date. Yes?---Right. And I hope it's clear there what I'm saying diplomatically is "freeze the scope to that point".

Yes?---Just CR 129. "Don't change the scope again and we'll deliver this in June."

All right. Thank you. And then you go on to say at the third dot point, "If this proposal is not acceptable then there is no need to discuss any further because IBM thinks it's meeting its contractual obligation. Yes?---Yes.

And in terms of meeting its contractual obligation, that was a reference to the change request that were part of the contract and indeed the scope definition document. Yes?---Yes.

And you made the statement there that you can't accept a never-ending inclusion of changes in scope?---Yes. This was taking Mr Grierson's position and putting it back to them. This was the view that Mr Grierson gave me that he couldn't accept a never-ending inclusion of changes in scope.

Right. Okay then?---I also point out the next one there, "Working in good faith." We had got on with many of these changes before the change request was signed, so as it said on the previous page, we had a very high burn rate, had a lot of people working and we were trying to meet the deadline. We felt like we were doing that on our own. So while Mr Beeston and others were arguing the change request with us, Queensland Health said that one of them we were getting on and doing them. That's the good faith statement.

Now, can I ask you a question, then, about this, which has arisen in evidence: you say, "If moving to legal dispute" - - -?---Where are we looking? Sorry.

COMMISSIONER: Two lines down?---Got it.

MR FLANAGAN: "If moving to legal dispute, then move to that phase now." That is, you're saying: if you're going to issue a breach notice, do it now. Yes?---Yep.

"IBM stop project and focus on dispute issues." Now, one could interpret that as a veiled threat by you that if they issued a breach notice then IBM would stop the project. What it is, I understand - - -?---The point was - sorry. Sorry to interrupt.

Yes. What are we to understand; what did you say?---Right. So the point there was: stop, address the issues that are in dispute. To your point, Mr Commissioner, do a recap, stop, address those issues in dispute before we continue with the project. So that would reset the go live date but hopefully would reset the baseline and get agreement on scope.

Is it open to this meaning also, that you would actually stop work on the project for the purposes of pulling resources from the project onto the subject matter of the breach notices?---Yes. I will point out that you may recall that this meeting invite arrived 5.15 one night for 9 am the following morning in the external lawyer's office. I turned up with my colleague because our legal representative is in Sydney and there were somewhere between nine and 12, a room full of lawyers and a very aggressive chap in the shape of Malcolm Campbell who were all there to have a go at us.

Having said that, though, you deal with customers often in your position?---Yes; not a room full of lawyers, though.

No. Mr Swinson was a lawyer. Except for today, yes, that's correct. But it's not surprising, is it, that given the time slippage that the customers, that is Queensland Health and CorpTech, were arriving at a certain level of frustration with IBM and that was being expressed to you,

was it not?---I think the interesting point here is where's Queensland Health. So there were two parallel processes happening here. We were getting on with the job with Queensland Health, and I'm not saying it was easy because we did have a lot of scope issues, but then we had this parallel action from not specifically CorpTech from the SPO and CorpTech in terms of these breach notices, these letters which tend to be out of step to reality.

Can I can take you - - -

COMMISSIONER: Do you mean by that comment that the aggression as you describe it was coming from CorpTech, not Queensland Health?---Correct; specifically from the SPO and CorpTech, not the service delivery side of CorpTech, no issues there.

Mr Flanagan, I note the time. Mr Doak, what are your arrangements? I know you've come here from the middle east. When are you going back?---9 pm flight tomorrow night, Mr Commissioner.

All right. I think it's unrealistic to think we'll finish Mr Doak's evidence tomorrow midday - - -

MR FLANAGAN: Quite.

COMMISSIONER: - - - or by 11 o'clock.

MR FLANAGAN: And also, I need to - I would like to accommodate Mr Doyle so I think I might be an hour and a half, maybe even two hours, which will take me to 12.00 and I'm wondering if an hour is sufficient for his purposes.

MR DOYLE: I'd like to go next, if that's possible, because for personal reasons I'd like to - - -

COMMISSIONER: Yes, all right, happy with that, if you don't mind.

MR DOYLE: No, I'm happy to do it

COMMISSIONER: Well, if we start at 10.00 and Mr Flanagan finishes by 12.00, you'll be how long?

MR DOYLE: I'll make sure I finish by 1.00.

COMMISSIONER: All right. And the other gentlemen, will you be long?

MR KENT: I'll be some little time, yes.

COMMISSIONER: What does that mean? What's the scope of that?

MR KENT: It depends - the scope depends on how much more I'm eroded by what Mr Flanagan's doing. It's gradually contracting but at the moment I think I would be probably an hour.

COMMISSIONER: Mr Sullivan, Mr Ambrose?

MR AMBROSE: I don't expect to be asking questions at this stage

MR SULLIVAN: If I ask any, they'll be short, commissioner.

COMMISSIONER: All right. We should be finished by 4.00 tomorrow?---Thank you very much, Mr Commissioner, I appreciate that.

You can catch your plane. All right. Thank you. We'll adjourn until 10.00 tomorrow.

WITNESS WITHDREW

THE COMMISSION ADJOURNED AT 4.33 PM UNTIL FRIDAY, 3 MAY 2013