



## SPARK AND CANNON

### TRANSCRIPT OF PROCEEDINGS

Telephone:

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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 22/04/2013

Continued from 16/04/13

DAY 18

WARNING: The publication of information or details likely to lead to the identification of persons in some proceedings is a criminal offence. This is so particularly in relation to the identification of children who are involved in criminal proceedings or proceedings for their protection under the *Child Protection Act 1999*, and complaints in criminal sexual offences, but is not limited to those categories. You may wish to seek legal advice before giving others access to the details of any person named in these proceedings.

THE COMMISSION COMMENCED AT 10.05 AM

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COMMISSIONER: Mr Horton, good morning.

MR HORTON: Good morning, Mr Commissioner.  
Mr Commissioner, there is, I believe, at least one  
application before you this morning.

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COMMISSIONER: Yes.

MR SULLIVAN: Good morning, Commissioner.

COMMISSIONER: Mr Sullivan, good morning.

MR SULLIVAN: I'm applying for leave to appear on behalf  
of Mr Anthony Price. Commissioner, as you understand where  
he fits in, he was under Mr Shea and Mr Kalimnios and as I  
understand he is scheduled in the next few days to be  
called as a witness in the matter.

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COMMISSIONER: Yes. There's no objection, I take it,  
Mr Horton?

MR HORTON: None, Mr Commissioner.

COMMISSIONER: Mr Sullivan, I'll give you leave, although  
as I understand things at present, there's no prospect of  
Mr Price being criticised, but if you wish him to be  
represented, I'll give you leave.

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MR SULLIVAN: Thank you very much, commissioner.

COMMISSIONER: All right, thank you. Yes?

MR HORTON: Mr Commissioner, this block of hearings, which  
I think 13 days is anticipated or has been set aside,  
concerns two primary issues, both of which arise in the  
period after the tender was awarded to IBM. The first  
issue is why and to what extent the price for the  
Queensland Health payroll system increased over time and as  
I'll go on to say, Mr Commissioner, it did increase  
significantly; second, the adequacy and integrity of the  
contract management, project management, governance and  
implementation processes.

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Mr Commissioner, 15 volumes of material have been  
compiled relevant to this issue and I think a copy has been  
made available to your associate and I would seek to tender  
those volumes.

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COMMISSIONER: Exhibit 63 will be the 15 volumes of the  
tender bundle.

ADMITTED AND MARKED: "EXHIBIT 63"

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MR HORTON: Thank you, Mr Commissioner. The contract was executed on 5 December 2007 and was signed by Mr Gerard Bradley, the under-treasurer on behalf of the state, but also by IBM. At the time the contract was signed it had attached to it three statements of scope and they were the documents, Mr Commissioner, which provided the overall strategy or direction for the program and were statement of scope 1, being the Queensland Health interim solution; (2) phase one, priority implementations and statement of scope 3, phase two implementations. In schedule 23 of that contract which, Mr Commissioner, is at page 133 of volume 1, but I have here a clearer expanded copy before you - - -

COMMISSIONER: Thank you.

MR HORTON: The Queensland Health - - -

COMMISSIONER: Mr Horton, is it worth making this a separate exhibit or is it in the - you say it's a bundle, but is it - - -

MR HORTON: Yes. It's at page 133 of volume 1. We might substitute it, Mr Commissioner, with your bundle because it's a little clearer.

COMMISSIONER: All right.

MR HORTON: We have included an A4 version of this only. The blue box, the dark blue box, is the Queensland Health interim solution. It stood alone to be completed first and was the subject of statement of scope 1. Statement of scope 2 concerned the phase one implementations and that was the green boxes which, Mr Commissioner, you can see cascading down from the more or less top left-hand side to about halfway down the page ending with, "Phase One, Treasury."

COMMISSIONER: Yes, thank you.

MR HORTON: HR and finance and statement of scope 3, which was the phase two implementation, are those which cascade down from the bottom half of the page to the bottom right-hand side. At the top, Mr Commissioner, in red are some of the works to be completed pursuant to statements of work which were agreed at the time the contract was signed. There were six statements of work, one, two, three, four, five and seven. There was no six agreed. They relate to those activities.

At the same time that the Queensland Health payroll system roll-out was being undertaken, aspects of the first of the phase one roll-out was also being undertaken and that is that first green box, Mr Commissioner, DETA,

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Department of Education and Training. You will hear today, 1  
both in my opening and from some of the witnesses, about  
the success or otherwise of the early stages of that  
project.

Mr Commissioner, you will see in the fifth box in  
phase one Queensland Health remaining, directly opposite  
the dark blue box is the interim solution.

COMMISSIONER: Yes, I have got that. 10

MR HORTON: That was to be the continuation of the roll-  
out once the interim solution had been in place.

COMMISSIONER: Where is statement of work 7?

MR HORTON: Statement of work 7 is not mentioned, as far  
as I can see, at the top left-hand side, but it would fall  
within the general work to be done in the interim solution,  
Mr Commissioner, because it was the scoping work with a 20  
view to the dark blue work being undertaken. Two  
statements of work are of particular importance for the  
next tranche of hearings, Mr Commissioner. One is  
statement of work 4 and that was called the Go Forward  
Statement of Work. It was the statement of work under  
which IBM was, in effect, to provide a revised estimate of  
what it would cost to undertake the remaining works under  
statements of scope 2 and 3.

You will hear, Mr Commissioner, that on completion of 30  
statement of scope 4 the estimates which IBM gave well  
exceeded the best estimates which it had given as part of  
the ITO, causing ultimately the state to decide that no new  
statements of work ought to be entered into with IBM. The  
other important statement of work which existed at the time  
of the contract is statement of work 7. Under that  
statement of work, IBM was to conduct a series of  
activities and provide a number of specified deliverables  
relating to the scoping and planning for the interim  
solution. That included defining the recommended scope, 40  
developing fixed price, the design, build, implementation  
and support.

The statements of work, Mr Commissioner, fulfilled  
two purposes. One is they defined with greater  
particularity and certainty what it was that IBM was to do  
under the contract; and second, they were a way of  
converting IBM's best estimate provided in the tender  
response into a fixed price, schedules 15 to 21 of the  
contract are those which dealt with matters of pricing. 50

Returning for a moment to statement of work 7, the  
price that IBM was paid to conduct the scoping exercise was  
initially some \$550,000. Very soon afterwards the scoping  
exercise was extended under statement of work 8A. That

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extended the time IBM had to scope and involved an additional payment of some \$300,000. All up for scoping, IBM was paid \$926,000 under statement of work 7 and statement of work A. That becomes relevant, Mr Commissioner, because one of the principal issues which seems to have been a contributor to the increase in the price was a lack of definition, it seems, in the scoping exercise which had been undertaken or, at least, a lack of certainty about it.

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One of the deliverables of statement of work 7 was, as I have said, the scope. That document became statement of work 8 and it was introduced into the contract by what, Mr Commissioner, you'll become very familiar with and that is the notion of a change request and there were very many in the course of this contract. Pursuant to that, a project scope definition was produced. The price set for the project under the interim solution was over \$6 million, but as, Mr Commissioner, you will soon hear that extended well in excess of \$20 million.

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Might we pause here, Mr Commissioner, to draw your attention to some important terminology in the terms of reference. Reference is made to project management in the terms of reference which seem to suggest that terms of importance. In a general sense that term includes both project and program management. Program management relates more to the overarching strategy which here is the Shared Services initiative, including really the context of the whole of the three statements of scope, but in a more specific sense the project here and the one to which the terms of reference seems to most clearly focus this commission's work is the project of the interim solution for the Queensland Health payroll system.

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Evidence will be led towards the end of this block of hearings, Mr Commissioner, about project management with a view to assisting you to make any recommended changes to existing policies, processes, standards to ensure the delivery of high quality and cost effective products and systems in the future, but ultimately it will be submitted that more than changes to those policies, which, in any respects, are quite adequate. The question is one of compliance, adherence to the important principles they propound.

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The go live originally scheduled, Mr Commissioner, on statement of work 8 was September 2008. that was the date which that statement scope proposed. IBM had said, however, earlier on in the contract that the go live would take place on 31 July 2008. IBM went about its work defining the scope, it had discussions with Queensland Health, it reviewed existing process and systems documentation, it reviewed Queensland Health's list of agency specific requirements and conducted a series of scope validation workshops with Queensland Health and others.

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There is a question, though, Mr Commissioner, a real question, whether that task was ever completed, whether sufficient time was allowed for it, and if it was completed whether it was completed to a standard of a reasonably diligent and sophisticated contractor in IBM's position. Ultimately, it was IBM's responsibility under the statements of work I've mentioned to scope this job. In the order of a further nine go live dates, Mr Commissioner, the index tot he bundle notes the relevant chronological step. In the meantime, there were very many variations to the contract and variations to statement of work 8, including what was described as a "clarification of it" very, very late into the works.

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One real question becomes whether these dealings and changes are ones which ought to have been avoided had proper contract and project management taken place. It's beyond the scope, though, of this inquiry, Mr Commissioner, in my respectful submission, to revisit particular changes or to inquire whether in a contractual sense IBM ought to have proposed and the state ought to have accepted particular variations. That would be a very time consuming exercise, more time than this commission has, and it would potentially may be futile because there doesn't seem to be any real doubt that such variations as were effected were effected lawfully and validly.

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But whether IBM or the state is to blame for these, the unavoidable facts are that this is a project which went well over time, involved far greater expense than had been fixed from the outset, and consumed the time of very many public servants and involved, in addition to the contract price itself, the expenditure of a very large amount of

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money on something which ought to have been much more efficiently planned and implemented. It's well known of course, Mr Commissioner, the system went live on 14 March 2010. In the lead-up to that date, the system underwent user acceptance testing conducted by a firm K.J. Ross, a well respected firm in those activities.

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The head tester for the project was a Mr Brett Cowan, he tested the system for some nine months, he repeatedly and clearly identified a very large number of major defects. He will say that to identify such a large number shows there is some basic problem with the system's functionality, problems which ought to have been identified or resolved well ahead of that particular form of testing taking place. He prepared a report to that effect, it's dated 27 January 2010, and even without having the technical expertise that one might have as a tester, one can read that report and know that there will be major problems in the system when it goes live.

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Two particular features, though, Mr Commissioner, of user acceptance testing will be pursued in oral evidence, in particular. The first is the decisions made to water down the criteria by which the system entered, user acceptance testing, and exited. In both those cases, Mr Commissioner, there was a dilution, a watering down, of the standards which had been set to come into and come out of user acceptance testing, criteria which stood for very good reason and against the very problems which emerged. Second, in terms of UAT, user acceptance testing, is the downgrading of defects, especially those classed as severity 2.

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On several occasions, defects which had been identified in the system classed as major and severity 2 were reclassified as severity 3. The significance of that was that the system could go forward but the defect, regardless of its name, remained. Before the ultimate go live decision was made, Mr Terry Burns undertook a risk assessment, it informed the project directorate. The project directorate was the recommending body for go live, it also informed the project board, the approving body for go live. It portrays the risk of a failure of the LATTICE system, the existing LATTICE system, to the extreme, it also identifies a risk that the system will not function entirely properly on go live.

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The oral evidence will cover the factors which went and contributed to the go live decision, and in particular whether the risks were accurately understood, appreciated and investigated. One particular fact which will become clear, Mr Commissioner, is the belief which seemed to have existed immediately before go live, that if the go live did not occur the LATTICE system was at risk, serious risk, of imminent failure. The accuracy of that assessment will be

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the subject of further evidence. It will be suggested, Mr Commissioner, ultimately that the risk of the LATTICE failure was overstated and the risk of the system failure, the new system failure, was understated and that the risk assessment miscarried in fundamental respects.

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So can I return, Mr Commissioner, to two points identified at the outset? How and why the price increased over time, and management of the contract in the project. As to the price of the Queensland Health system, it rose from some \$6.9 million to ultimately \$25.7 million. That was in the context of an increase also in the estimated price to complete the program, statements of scope 1 to 3 as a whole. You'll recall, Mr Commissioner, that IBM had quoted or estimated in the order of \$98 million in its tender response to complete the larger work. We know from a statement given by Mr Brown to the inquiry, a second statement, in attachment 3, that by the time the go forward strategy, the SOW 4 strategy was complete, IBM was estimating some \$133 million as at August 2008, and some 181 million as at 31 August 2008, a massive increase on what had originally been represented to the state as being the likely cost of the program.

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This, along with other factors, caused the state to lose faith in IBM. On 29 January 2009, the executive steering committee met and decided that from now on, from that point on, IBM's work was to be limited to the Queensland Health interim solution only. Three important factors preceded this decision, first, the go forward assessment of which I've spoken showing an increase in the likely price of a significant magnitude, second, the experience which the state had then had with IBM in rolling out the interim solution within Queensland Health, and, third, the early stages of an attempted roll-out of an HR solution in the Department of Education being, Mr Commissioner, that first stage of the statement of scope 2.

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The state paid the full price for the early works for that project, but no working system was ultimately delivered and the Department of Education remained on its old system merely upgraded. After that executive steering committee meeting in January 2009, a brief was sent to the then premier, Ms Bligh. A meeting occurred with Ms Bligh in about July 2009, and it would appear that the premier then made or confirmed the decision that IBM should not be engaged to undertake new work under the contract through any new statements of work.

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The former premier will be called to give evidence but her evidence is relevant both to their contract for present tranche of hearings and to the settlement, Mr Commissioner, which ultimately took place. And to avoid unnecessary disruption, it's proposed to call the former premier in the round of hearings that concerns the supplemental deed rather than in this present tranche.

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The steps I've outlined, Mr Commissioner, resulted in a cabinet budget review committee decision on 21 September 2009 at which time it was resolved, in effect, that IBM not undertake any other work under the 2007 contract but to continue only with the Queensland Health payroll system implementation. There remains this question, though, Mr Commissioner. If it was thought that IBM should not be trusted to conduct further new work in the state and state agencies, why was it thought, however, that IBM should be continued to undertake work in Queensland Health.

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COMMISSIONER: Who will answer that question?

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MR HORTON: I'm sorry?

COMMISSIONER: Who will answer that question?

MR HORTON: Well, we hope - we'll call members of the executive steering committee and we'll call the former premier, and we'll call Mr Grierson at that time, who was director-general of Public Works, but these questions will be raised with them. Because of the depth of the documents and the log period over which the system was implemented, it's foreshadowed that the evidence in this block of hearings will concentrate on these issues:

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The obvious lack of clarity in the scoping of the contract, beginning with IBM's representations about what it knew had to be done, its knowledge of Queensland Health, its knowledge of Workbrain through to the major changes in scope shown through change requests, in particular, 60 and 61, 129 through to 184. Both these groups of change requests resulted in changes to the scope of the contract and questions arise, real questions arise as to why it became necessary to have them. In the case of change request 184, for example, Mr Commissioner, an additional payment of \$9 million was made to IBM by the state well in excess of the original contract price. That's the first issue.

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The second issue is why when user acceptance testing was being conducted and numerous defects became known that were major, that did not act as a warning to those involved, and why instead of heeding that warning, criteria were changed, defects were downgraded, which seemed, on one view, only to delay the inevitable and to contribute to the

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problems to be experienced after go live. That's the second issue. 1

The third is the go live decision itself. Why was it made, by whom, and what were the factors which informed it, what accuracy was there in the assessment of the risks which prevailed beforehand. You will hear Mr Commissioner great fatigue in the project in those involved in the project before go live, long hours and the culmination, an expert will say, of these things was a death spiral in the project: fatigue, lack of definition and a lack of rigor. 10

The fourth issue, Mr Commissioner, is IBM's competence in implementing the system. The commission has assistance from an expert doctor, David Manfield, an expert in these matters. He will deal with IBM's implementation of the system and also comment upon project management processes.

The fifth issue is the extent to which the state diligently applied itself to managing the contract and managing its vendor, IBM. The commission has had assistance from a contract expert in information technology, Mr John Gray. He expresses the view that the contract, although perhaps not by any means ideal or even consistent in some respects with best practice at the time, did expose the state to a particular risk in the lack of definition of scope, in particular, and in the limited ability of the state to hold IBM to the time commitments, but importantly Mr Gray also says it called upon the state with a comment of that kind to manage with some considerable diligence IBM's performance under the contract. 20 30

What appears, Mr Commissioner, on one view, of what happened, is the state, having abandoned the internal management model of the Shared Service Initiative and moved to the prime contractor model, overlooked the fact that many of the deficiencies which it might have experienced itself in managing the Shared Service Initiative would only resurface or perhaps be exacerbated when it came to managing the external person such as IBM. They're the principal issues which emerge, Mr Commissioner, in our submission. 40

There will be some 23 witnesses called to give evidence in this block of hearings, and as I've indicated, Mr Commissioner, within the 13 days. They fall into these groups: first, workers within CorpTech who mention the difficulties in dealing with IBM and the difficulties they experienced in the implementation of this system and trying to instill some rigor in CorpTech to manage IBM conscientiously. 50

Second, Mr Swinson from Mallesons will give evidence. Mr Swinson helped prepare the principal contract. He assisted those CorpTech workers to draft documents and gave advice, in effect, to the effect that IBM should be help to aspects of the contract but was ultimately told to down tool. Mr Gray, of course, will give evidence to a similar effect as to the nature of the contract.

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The third group of evidence will be from workers in Queensland Health and in the payroll section. They will speak of the difficulties experienced from their side of the implementation.

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Next, Mr Reid, director-general of Queensland Health will give evidence to the effect that he made attempts with CorpTech to extricate Queensland Health from the arrangement but had no success and resigned himself, in effect, to Health remaining in the arrangement.

We will also call the IBM project and program directors for the relevant period: Mr Doak, Mr Hickey and Mr Gower. They will be followed by staff within CorpTech who are more senior and Public Works as CorpTech later was rolled into, including its then director-general Mr Malcolm Grierson. Mr Grierson had a number of direct communications and negotiations with IBM at a stage of the contract when there were many, many disputes emerged. Then the technical expert, Mr Manfield will be called and then, finally, Mr Malcolm Thatcher. He is the chief information officer in the Mater Hospital.

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The Mater, Mr Commissioner, made an unsolicited submission to the inquiry. That information is of interest because it provides some insight as to how a successful implementation might take place within the health sector and the sorts of characteristics which inform a successful implementation, which the Mater claims to have had.

Finally, Mr Commissioner, the former premier, Ms Bligh, will be called, as I've indicated, because her evidence is relevant also to the supplemental deed issue. It's foreshadowed the former premier will be called in the next tranche of hearings.

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COMMISSIONER: Mr Horton, you mentioned 13 days. I notified counsel last week. Apart from Mr Sullivan, who I did not know was to appear, that I will make it for two days available, so there are 15 days for these witnesses.

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MR HORTON: Thank you, Mr Commissioner. Mr Commissioner, the first witness today is Mr Malcolm Campbell, but before doing that might I tender five statements of witnesses that is not intended presently to give oral evidence. They are the statements of: Ms Turbit, T-u-r-b-i-t, Ms Robin

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Turbit; Mr John Beeston, B-e-e-s-t-o-n; Mr Philip Hood; and 1  
Mr Jacek J-a-c-e-k, Klatt K-l-a-t-t. I think there are  
only four there, Mr Commissioner.

COMMISSIONER: Ms Turbit's statement, exhibit 64.  
Mr Beeston's statement, exhibit 65. Mr Hood's statement,  
exhibit 66. And Mr Klatt's statement, exhibit 67.

ADMITTED AND MARKED: "EXHIBIT 64"

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ADMITTED AND MARKED: "EXHIBIT 65"

ADMITTED AND MARKED: "EXHIBIT 66"

ADMITTED AND MARKED: "EXHIBIT 67"

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MR HORTON: Mr Commissioner, may I call Malcolm Archibald Campbell? 1

**CAMPBELL, MALCOLM ARCHIBALD** sworn:

COMMISSIONER: Yes, Mr Horton?

MR HORTON: You're Malcolm Archibald Campbell. Is that correct?---That's correct. 10

You have prepared a statement, I understand, for this tranche of the commission's hearings?---I did.

At that stage of 11 April - sorry - signed by you on 11 April 2013. Do you have a copy with you, Mr Campbell? ---I have an unsigned copy.

Yes. Is it the same as the formalised version?---I believe so. 20

I tender Mr Campbell's statement, Mr Commissioner.

COMMISSIONER: Yes. Mr Campbell's statement will be exhibit 68.

ADMITTED AND MARKED: "EXHIBIT 68"

COMMISSIONER: Yes?

MR HORTON: Madam Associate, could I check the date on the statement please. 30

Mr Campbell, the original statement I have is dated 9 April, but signed by you on 11 April?---Yes. There were some items that needed to be corrected in the original statement and I met with counsel to review that and there was - a further statement was signed.

Yes. It's 12 April, is it, that we ought to be looking at? ---As I said, I don't have the last signed copy so I don't recall the exact date. 40

But the contents of them are the same - - - ?---Yes.

- - - but for some typographical differences?---That's correct. Yes.

We might tender that, anyway, and work from that and if any difficulties emerge we'll deal with it. Thank you. Can I just start with your background please. You're a qualified PRINCE2 project management practitioner?---That's correct. 50

Would you just briefly explain what PRINCE2 is please? ---PRINCE2 is a project management methodology. It was

originally designed by the British government who had suffered a series of bad project outcomes and the PRINCE methodologies were designed to ensure that gates were put into any project and that gates had to be - or the condition of the gate had to be met before any project would proceed. In doing so, it meant that if a project was poorly defined or the first phase was poorly executed then at the first gate that project would not go forward.

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I'll come back to the topic of project management. You began work for CorpTech or for the Queensland government in August 2005, you say?---That is correct.

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You worked with the Shared Services initiative and then you come to have direct contact with the Queensland Health payroll system interim solution in 2007?---Yes. So I led the team that implemented the finance solution into 11 agencies and they were then moved from that role into an interim role and then finally into the role in the program office which dealt with the IBM contract.

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Then you became, you say at paragraph 8, for example - that you became a director of Vendor Management?---That is correct.

You say, I think, you were initially involved in some contractual negotiations arising from the ITO?---Yes. Once the award had been given to IBM as the successful tenderer, there was a contract management team that was formed. That team at the outset was quite large. My input into that team was to draft schedule 26, which was the warranty provisions. That was a schedule that I'd used in previous implementations or the material came from previous implementations and had proved to be quite robust as far as a warranty provision and I also presented the outline of what would become the statements of work.

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You say in paragraph 11 you were removed from negotiations? ---Yes. It was felt that the team was too large and the numbers were then reduced to allow for greater one-on-one negotiations with IBM.

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Do you know who made the decision that you not be included in those negotiations?---I'm not aware who made the decision, but certainly Mr Burns informed me of the decision.

You say in paragraph 13 that, in effect, your preference would have been from the vendor management perspective to have included the ITO response of IBM in the contract? ---Mm.

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Can you briefly explain why?---That's fairly standard practice in the procurement outcomes. What it means, if the response amended to the contract means it is then

enforceable under the terms of the contract. Without the responses there was a large gap, and even in this particular instance there was a large gap between what IBM said that they would do in the response to the ITO versus what they undertook as a result of the statements of work and, in particular, the levels of resources and the skills of those resources which in the ITO was presented as a very skilled team, but in reality wasn't as skilled as was represented.

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You say at paragraph 14 there was some pressure from Treasury for the contract to be finalised as soon as possible. Is that a pressure that applied at any particular point in time or was it - - - ?---I think the pressure was just to - the vendor had been chosen. I think Treasury at the time wanted the momentum to progress and they were keen to see IBM start the implementation of the Shared Services initiative.

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Yes.

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COMMISSIONER: Who at Treasury?

MR HORTON: Yes.

COMMISSIONER: Do you know, Mr Campbell? Who at Treasury was pushing this?---I didn't deal directly with Treasury, but the feedback was that the recommendation came from Mr Bradley through Mr Millman the counsel at Treasury.

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MR HORTON: Besides the momentum, was any other reason given to you for the pressure - - - ?---No.

- - - in terms of time?---No.

Are you able to comment in your experience, was this a long time or a short time in your experience for negotiations to be entered into for a contract of this kind?---It's unusual that the draft contract was not amended to the ITO. When a draft contract has been appended to the procurement process then a short period of contract negotiation is acceptable because they really are just negotiating around certain terms of the contract that may need to be clarified. When no contract is appended then the contract negotiation is normally quite lengthy and I felt that the time allocated for this particular contract negotiation was quite compressed.

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You go on to say at paragraph 20, "IBM never completed a statement of work deliverable on time." Are you speaking about statement of work 8 in particular now, the Health contract?---No. I'm speaking about all of the statements of work. My recollection is that each statement of work was subject to an extension of time which was agreed by the state. There were various reasons for granting an

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extension of time. Some of those were out of the control of IBM and we felt that it was only fair that given that certain resources weren't available that extensions of time should be provided to IBM to undertake the tasks.

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Yes. Were there ever times where in your view you formed a view that the fault was on the other side?---With some of the statements of work and, in particular, you mentioned statement of work 4, I think, that was a very, very lengthy process.

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When all of the information that had been presented to IBM during the ITO process were just revisited - I thought extensions of time around that particular statement of work was not good policy.

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Returning then to what you say in paragraph 20, you talk about things being done by senior management weakening your ability to enforce the terms and conditions of the contract in terms of SOW 8, the Health payroll system. What was the terms and conditions you wished to enforced in which you thought you're being - - -?---I think that would take quite a long time to answer.

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Pick some major ones and you can discuss them very briefly, for present purposes?---In statement of work 8, my recollection was that the project management process, in my view, was not being followed, that there were parallel streams of work that were occurring that we felt that if the ascended methodology was to be used then these pieces of development work should not have been taking place at the particular time. There was no signed scope document, and that was a deliverable of the statement of work, so work proceeded with statement of work 8 with the design and build of the interim solution without the customer actually agreeing to the scope. When these sorts of items were pointed out to the QHIC, Queensland Health project board, their view was that was holding them back from completing the project. Again, we were trying to enforce the terms in which the deliverables had to be by a certain date, and sometimes the project team would be kept for the project to progress.

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You mentioned "descendent methodology", that's a project management methodology?---The ascendant methodology is the methodology that is used by IBM, it is very similar to PRICE 2 methodology and is very similar to other methodologies, such as ASAP, which is the accelerated SAP program, in that it follows the gating process.

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Yes, so explain here how the ascendant methodology of these principles you're speaking of were contrary to not having the scope definition signed off?---The first phase of all of those methodologies, and the ascendant methodology in particular, is that there is time set aside to undertake what is commonly called the "business preparation phase". That would be to conduct a series of interactions with the customer so that the developer or the vendor would understand completely what the requirements were, they would document those requirements by way of a business requirement and then the customer would then sign off that scope document which represents the business needs of the customer at that point in time. These requirements were very important as the project progresses, because each requirement, then, has to be delivered. In normal project management practice, each requirement is then followed by a functional design, which is the interpretation of the business requirement into a more system requirement. The functional specification is then converted into a technical specification, and it's the technical specification that the developer uses or the programmer uses to program code

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to deliver that particular business requirement, and then the last part of that is there's a user acceptance test. In project management methodology, there is a technique called "requirements tracability matrix", which traces each requirement that has been agreed by the customer all the way through functional design, technical design, user acceptance testing and ultimately acceptance by the customer that particular business requirement has been delivered.

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COMMISSIONER: Can you explain to me what's the difference? I understand in broad terms, but, in more details, what is the difference between the functional design and the technical design, how is that expressed? ---It's just language. The business requirement may be that the customer pays a bill, then that is then somebody that operates within that system itself, understands how that system then needs to follow that process from a functional. So there's steps along the way when the customer pays their bill, like, it's entered into a system, it's forwarded to the finance system, a receipt is issued, so those steps are all understood. Then for each of those steps, if the - in some instances the system will be compliant and will undertake that without any development work, but if it's not compliant then the programmer then has to look at that particular design to make changes to the code to ensure that the particular requirements of the customer are delivered in the solution. Really, it's the progress from a non-technical business environment into a programming environment.

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MR HORTON: Is it possible, Mr Campbell, that in fact what IBM's doing here is adopting a different form of methodology, an accelerated methodology called "Sprint"? Have you heard of such a methodology?---No, I haven't.

Is there any form of methodology that you're aware of established in project management which would permit IBM to have acted as you're saying happened in terms of proceeding before there's a scope definition agreed and signed off?

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---There are lots of project management methodologies, however, it has been agreed by governments and vendors alike that the rigor of the methodologies I've outlined is necessary for two reasons: (1) to ensure that the vendor can deliver the solution the customer wants within time and budget; and that the customer is able to accept the solution with the budget at the time. Without that rigor then the customer will open the door for a large number of change requests, and change requests are all delivered at an increased cost. So the rigor is in place to make sure that - in that business preparation phase, in any project that's what normally takes all of the time, is to get the requirements nailed down to ensure that the vendor can test, it can build, and the customer can test and that the

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outcome is agreeable to both parties. Without that rigor, my experience has been that vendors and customers don't necessarily agree and that causes unpleasantness in relationships. 1

Now, here there was a series of workshops to be conducted by IBM to gather business requirements and ascertain scope, is that correct?---I'm unaware of the meetings, however, I was not part of the Queensland Health project so I cannot say whether those meetings took place or didn't. However, in the management of the vendor and in trying to resolve issues as issues arose, I did speak with the project team and I did speak with people outside of the project team, and a person in particular is Damon Atzeni who worked in the payroll area of Queensland Health. His advice to me was that the workshops were not conducted, or if they were they were not conducted with any rigor. I can't say whether workshops were conducted or not. 10

Can I take you to paragraph 29 of your statement, please? You mention here a statement of work 12 to build the awards interpreter in Workbrain. Now, statement of work 12 was not one which was in existence at the time the contract was signed?---That's correct. 20

You'll recall that in IBM's ITO response it proposes to use Workbrain in an innovative way and to conduct awards interpretation in that application. Have you read statement of work 12, or are you familiar with it?---I haven't read it since my time in CorpTech, so I don't have any strong recollections of it. 30

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You expressed the view it should have been in statement of work 8?---That's right. 1

Why should it have been in statement of work 8. Is it not something that could be treated separately?---The - in building the HR system, IBM proposed that the core system would be built and that they proposed the core system to be built in statement of work number 5. Now, that was to - the statement of work was that all of the awards for Queensland Government, including Queensland Health would be built in SAP. Statement of work 8 was to implement the interim LATTICE solution and that was to be based on the - firstly, the pilot that had been originally implemented in the Department of Housing, modified by statement of work 5 to correct all of the inherent issues that had been identified from time to time, and then statement of work 8 was to take that core HR system and to integrate the Workbrain rostering application to that system. To me, that was - should have been the basis of statement of work 8. And as I say in my statement, I considered it odd that another statement of work needed to be agreed to implement something that should have been delivered in statement of work 8. 10 20

Now, can I take you, please, to the next page of your statement, paragraph 32. You mentioned not being allowed to manage the contract in the way one would normally do as per normal business practices. What do you mean here? What were the ways in which you were prevented from managing the contract as would ordinarily be done?---There were quite a few examples. I take you to the original contract itself and there was a schedule called 22A, and 22A was really the schedule of the contract that established the program of work for - that IBM had proposed. It had the types of skills and the specified personnel that IBM had proposed for the project. We were never able to have schedule 22A incorporated into the contract because any negotiations that we had with our part of the project team in trying to resolve that were always escalated to senior management of CorpTech or senior management of the Department of Public Works. Again, the - one of the agreements each statement of work had was that a part of the pricing of each statement of work was there would be an at-risk payment. This was a proposal that was first presented to CorpTech by IBM because they were so confident of their pricing. They said that they would - so each statement of work had this at-risk payment. I said earlier that none of the statements of work were delivered on time, so as soon as an extension of time granted, then the at-risk payment was put at risk. Each time we tried to withhold the payment from a contract management perspective, negotiations were then undertaken with senior management of CorpTech to have the payment apply. 30 40 50

When you say "we", who are you talking about when we say "we"?---We, it would be members of my time, in particular

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Mr Bird and myself, and sometimes Mr Beeston.

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Yes. Can I take you back for a minute to 22A, which is the schedule you referred to, that's about governance. Is that right?---About governance, yes.

That was to be agreed by a certain time shortly after contract?---That's correct.

It was never agreed?---It was never agreed. We had a series of meetings. We used to - there was a schedule of meetings that the vendor management team and the IBM team had. These were minuted meetings, and we endeavoured through that vendor management process to have that statement incorporated into the contract but we were always unsuccessful.

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I think Mr Swinson's asked to give advice on whether it's binding or operative in mid 2008, so it must not have been agreed in by that stage?---The - I think the - that particular time and I'd probably need to - I think Mr Bird would have a greater understanding of it. There was a statement of work that was signed and IBM made a mistake in that statement of work and actually incorporated schedule 22A into the contract, and my understanding or my recollection is that was what we went to Mr Swinson for to see whether or not, in accepting that statement of work, was that schedule 22A was, in fact, incorporated into the contract. However, I can't honestly say that's 100 per cent what happened.

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Now, you talk about at-risk payments next. So if IBM didn't meet a deliverable or a milestone, 15 per cent of the payments could not just be withheld but, what, not paid at all?---Not paid at all, yes. The at-risk payments were broken into three components and that was done with the - we negotiated that quite quickly with IBM. We both agreed that five per cent would be for - I think that was for quality, five per cent for time, and then five per cent would be based on a relationship that IBM had with the state, but in the at-risk payment schedule I think it was the personal relationship with the under-treasurer. But in essence, it was how the - you know, how IBM was interacting with the customer.

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Now, was there ever a time when the 15 per cent - I don't just mean withheld temporarily, but was there ever a time when 15 per cent of fees for IBM is not paid ultimately, to your knowledge?---Ultimately, each at-risk payment was paid, albeit some of them at a later date because we did try to withhold payments through the provisions of the at-risk payments.

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Now, we'll come to it in due course but ultimately too, it seems, the at-risk payment provision is removed from the contract or removed by a variation of the contract in the

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later change request. Is that your recollection?---Yes. I think the later - my recollection was that they tried to make it a performance-based payment but I really can't recall exactly what that change was. 1

Now, can I take you to paragraph 33. You mentioned an internal email, that you should not be aggressive with managing the contract. Do you have a copy of the email? ---No, I don't. The - I can recall the email but I never kept copies of emails. At the time, I didn't think it was that important. The customer and IBM were doing their best to create a good working relationship and I think it was in that context that the advice came as to try to build a relationship and not necessarily walk around with the contract under your arm, for example. I thought that quite odd because in the - in other contracts that I have managed, and in particular failing contracts is that adherence and management of the terms of the contract that make it quite - I was going to say "easy" but it allows the way to proceed to whatever the final action might be, whether that's redrafting of the contract, whether it's a termination of the contract. 10 20

Now, can I take you to paragraph 38, which mentions a statement of work 13, which was relevant to the work being undertaken, as I understand it, in Department of Education, Training and Arts then, wasn't it? And that was - I think there were two statements of work that were relevant, 11 and 13. Is that right?---I can't recall the exact numbers, I'm sorry. 30

But that work's going on at the same time that the interim solution's being rolled out. Is that right?---Yes.

And that's the only work IBM, to your knowledge, is doing, in terms of the phase one roll-outs?---They were doing the forward planning.

Yes?---I believe that's the case, yes. 40

Yes. It was the other major project underway in terms of an early stage of a roll-out. Now, you mentioned there that senior management from CorpTech in 39. On the advice from senior management, IBM was paid for that work that was undertaken?---Yes. It was the - the outcomes of that work - in fact, the deliverables or the first tranche of deliverables for statement of work 13 were just templates. There was quite a large team that IBM had engaged in DETA. I worked quite closely with a lady called Ms Collingwood-Brown in the work that they were undertaking. The date that the deliverables were due, I think it may have been a Friday. They were delivered to our office and the content was, in fact, appalling. 50

We tried to contact the project manager but he was on transit to Sydney. We then contacted Mr Hickey, who was the program manager at the time, and at that stage Mr Hickey was unaware that the deliverables had been delivered. They had been through no formal review process. The quality was not what had been expected. All those deliverables were then recalled and were re-presented. In my view, that constituted a nonpayment of an at risk payment, but negotiations were undertaken and that payment for that statement of work was made in full.

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Recalled by IBM? When you say recalled was it by IBM or - - - ?---Yes. Recalled by IBM. That's correct.

How much later were they re-presented?---I can't remember.

What form were they when they were re-presented? Were they - - - ?---They were in the templates that were required. So each statement of work, each deliverable, had the manner in which the deliverable was to be delivered, the word document, spreadsheets or in the case of a schedule, it would be a Microsoft project management type Gantt chart, so the statements of work were quite specific in how the deliverables were to be presented.

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Yes. Were they adequate in your view when they were re-presented?---My role was not to look at the adequacy of the deliverable. That was the role of the Solution Design Authority. The Solution Design Authority was to review deliverables and then to advise the vendor management that the deliverables had been delivered. We kept registers as to when deliverables were delivered, when the review process was supposed to be undertaken, when they were finally accepted and when payments were to be made.

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What was their advice to you about the re-presented SOW 13 deliverables?---I can't recall. I'm sorry.

In any event, there's no news statements of work entered into concerning the Department of Education roll-out, is that correct, after SOW 13?---That's correct.

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Do you know the reason why?---I can't give a reason that is 100 per cent with any degree of confidence, but my understanding would be that it was - the timing was in the advice that I had given. Although I prepared for the director-general in the options moving forward and that no new statements of work were to be agreed and it may have been tied up with that advice, but again I can't recall the timing.

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I understand. At paragraph 45 you mention Workbrain performance testing and integration testing and you say, "The solution kept failing the tests." What tests and about what time was this?---I can't give you the exact

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tests. My role is not one of a technical nature, but I sat at meetings where technical people attended and discussed the performance of Workbrain. As part of the contract, I can recall that there was a condition that IBM had to meet certain performance criteria and it was in the meeting of these criteria that the Workbrain solution kept failing. It must have at some stage passed because the solution was initially agreed, but it certainly took a period of time for the solution to meet the particular requirements of the technical resources of CorpTech.

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Can I take you to change request 60? You say some things about change request 60 in your statement. Are you familiar with 60 or do you need to be shown a copy of it? ---I can recall statement of work 60 - change request 60.

Yes. You say in a footnote to your statement that change request 60 was not reviewed by the vendor management team prior to it being approved?---That's correct.

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Would you ordinarily have been asked to review a change request?---One of the roles we played in vendor management was to carefully review each change request and to look to see whether that change request derogated from the terms of the contract at all. We would then prepare notes; that we would then meet with Ms Perrott and to advise her that the change request was valid, that the costs of the change request was valid and basically to give her the confidence to vary the contract to accept that particular change request into the contract.

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Yes?---That was a discipline that the team, my team, did for each variation. For change request 60, we were - on the day that that was signed CorpTech was in the transition mode from Treasury to the Department of Public Works and there was a meeting that was attended by Mr Grierson and Mr Ford at the Hilton Hotel where that transition and the general information about that transition took place and my recollection was that at that meeting IBM presented the change request 60 to Ms Perrott for signature without the advice of the vendor management team.

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It related, change request 60, to the interface between the human resources side of the equation and the finance side. Is that correct?---That is correct. Yes.

Interface is something, as I understand it, to be considered by IBM in terms of the scoping exercise for this undertaking for SOW 8?---The statement of work 8 was the LATTICE replacement. So each of the capabilities of the existing LATTICE system were to be replicated with the interim LATTICE replacement system and a payroll system does not work unless it is integrated into the finance system.

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So what had emerged that was new, it seems, in change request 60, which is at volume 5, page 88 - tell me if you need to be shown it?---I'll probably need to be shown it.

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I'll ask you be shown it. Madam Associate, might the witness be shown volume 5?

Page 88, Mr Campbell. This change request, I think, came along with the next one, which is change request 61. Is that your recollection? They operated in tandem?---Yes.

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That's 88, 60. I'll just draw your attention to the text under the word "reason" halfway down the page, "The execution of SOW 8, a number of customer based issues have emerged," and then under the heading QHIC Status Report it says, "Considerable delays have been experienced to internal design issues needing to be resolved at Queensland Health." So this seems to be suggesting that the reasons for the troubles lie within the customer not within the vendor. Is that a correct assessment in your view?---In any project it is the responsibility of the vendor to undertake sufficient work to understand and document the customer requirements. There was a clear distinction in the - in any project the responsibilities of the customer and in the responsibilities of the vendor. To state that there were some issues that needed to be resolved would indicate to me that the scoping hadn't been completed in a manner that was satisfactory to Queensland Health.

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Yes. Was there some interface change or some software preference within Queensland Health of which you're aware which might have necessitated these integration issues arising at this relatively late stage?---My role is not technical. I can comment that there appeared to be - or the requirement that the payroll system interface with the finance system, that requirement was quite a surprise to IBM and my understanding is that statement of work 60 was to provide the interfaces between the finance system and the HR payroll system or part of it was.

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I'm sorry. The difficulties with interface don't seem to have ended with change request 60 and 61. It seems to be an issue that bedevilled the project for some time to come after June 2008. Is that your understanding?---Yes, it is.

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Yes. And do you know why it wasn't then something which was dealt with at this stage, even if it were not something which ought to have been dealt with at the initial scoping?---I'm puzzled as to why. Again, I cannot really comment on technical matters, and interface design is one of a particular skill set. But I do, through the projects that I've managed, understand the importance of interfaces between modules of systems and between individual systems, and the amount of work and testing that is applied to individual interfaces to ensure that they work, or that the communication between two systems is satisfactory. It's really - that interface is quite critical, because without a proper file transfer protocol then you have problems with ongoing errors and it's very difficult in the operation of a system to understand from what system is responsible for that particular error.

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Can I take you on, please, to paragraph 49 of your statement? You mentioned CCD 179?---Yes.

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Now, could I ask the witness to be shown please, Madam Associate, volume 7, page 22? Now, here you're mentioning a condition precedent which arose in some of the change requests?---What page was that in?

22, please. Now, this, Mr Campbell, is change request 129 not 179, and I want to suggest to you that the condition precedent of which you're speaking appears not only in 179 but the genesis is in this change request you'll see at page 23, about two-thirds the way down the page under the heading Section 7 Contract Variation. Do you have page 22 there? That's the beginning of the change request. It's page 23 that I want to take you to. You'll see on the left-hand side, two-thirds the way down, condition precedent. Is that your understanding this might be the genesis of that condition precedent?---The condition precedent was inactive when I was on holidays, I didn't have any part of the derivation of that particular - - -

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Okay. Does this look like the condition precedent of which you speak of?---It does, yes.

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Just briefly state, would you, what its purpose was so far as you were concerned when you were involved at a later stage?---The condition precedent was a series of outcomes that we asked IBM to present to us to give us confidence that they could in fact deliver the program of work.

Yes?---The condition precedents were agreed by the parties, but my recollection was that condition precedent was not met.

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Can I get you to look at the two enclosures, one starts at page 29 and one at 35, enclosure 1 and enclosure 2, two forms of the test criteria?---Yes.

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Are they what the condition precedent is aimed at acquiring satisfaction of from the state's point of view - - -?---  
Yes. 1

- - - that these tests are conducted?

COMMISSIONER: What was the condition precedent to, what was to follow if it was satisfied?

MR HORTON: It's a condition precedent to the incorporation of the change request, it says, Mr Commissioner, so it seems that if IBM didn't meet the condition precedent one would lapse back to the pre-existing contractual terms - - -?---That's correct. 10

- - - which would mean that IBM was - - -?---In breach.

- - - on your view, in breach?---Yes.

To your knowledge, was the testing done in enclosure 1 and in enclosure 2 recognising, you say, on a technical person ever accomplished, achieved to the state's satisfaction? ---My recollection is that it was not. 20

COMMISSIONER: What are they testing for? What were the tests to ascertain?---Again, my role was not testing, I really can't comment on the way the testing - but it was really - the payroll cycle in Queensland Health was a cycle that lasted for 14 days, and certain conditions had to be met on certain days so that the payroll cycle could progress to ensure that every member of Queensland Health was paid correctly on the nominated pay day. So what we were looking for was that progress along this pay cycle in the proposed system was actually able to be met. If it wasn't able to be met then it just would have meant that Queensland Health employees wouldn't get paid on time. 30

MR HORTON: Mr Campbell, would it strike you as odd that well into the contract, now, this change request arises in late 2008, so the September go live has been missed, that there is still, it seems, at least some view that the system won't pass these basic tests, or at least is concerned that it doesn't sum up to what seems to be a basic standard?---There was - we were very concerned from a vendor management and a contract management perspective that IBM was having difficulty in meeting their obligations in providing the deliverables. We sought external legal advice as to the way we should progress forward given those sets of conditions. There was advice provided to CorpTech senior management concerning the options that were available to the state to work with IBM to achieve the outcomes that we needed. So this was just a series of actions that we were taking at that time to try to look at ensuring that the state had an outcome whether that was a successful payroll system or not. 40 50

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That advice was provided by Mr Swinson of Mallesons?---The advice was provided by Mr Swinson, yes. 1

We'll come to that in a moment. Can I just finish off on the condition precedent? Now, that's re-asserted, you can take it

from me for the moment, in change request 174, 177, 179, by that I mean the condition precedent. These change requests culminate, it seems, in change request 184, is that your understanding?---Change request 184, I believe that was the - - - 10

Could the witness please be shown volume 9, page 128? Yes, you can put that away, Mr Campbell, you won't need that again. This is change request 184, Mr Campbell. You're the initiating officer according to section 1, in the middle of the first page?---That's correct, yes. This followed, from my memory, change request 183, which was subject to a fair amount of discussion with IBM which culminated in 184. I think that was - change request 183, from my memory, was never executed. 20

The condition precedent is now absent from this change request?---Yes.

You said before, to your knowledge, the condition precedent previously imposed was not complied with. What formal action against IBM was taken, to your knowledge, as a result of what you say was a non-compliance with that condition?---My understanding of the non-compliance was an agreement by Queensland Health to provide extra funding to IBM, the figure of 5 million comes to my mind but I can't recall that exact figure. So there was a financial incentive then provided to IBM to continue working on the replacement system. 30

In conjunction with change request 184, IBM is paid an amount by the state of \$9 million associated with this request?---My recollection, that's correct, yes. 40

Were you involved in those negotiations?---No, I wasn't.

Were you excluded from those negotiations?---No, we provided information into the negotiations, there was a briefing note that we put together and then we also produced a table which looked at the derogations from the contract. It looked at what the original contract terms were and what was being proposed by IBM, so that was outlined in a table that was then used for the discussions at the program board level. 50

Yes. Can I take you to page 203 of that same volume, please, which is part of the scope clarification, which is attached to change request 184? Can you just explain for a moment why, to your knowledge, was there a need to clarify the scope as part of change request 184?---Which page are you referring to?

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I'm sorry, I'm at page - it's a bit hard to read on mine. It's your statement, 203?---Of volume?

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Of the same volume?---Volume 9?

Yes?---And your question again was?

I'm going to go there in a minute. Sorry, my question - I jumped too quickly. This is a scope clarification document. I can take you to the front of it, if you like? ---Mm?

I'm taking you to a part of it. It starts earlier on behind a change request. So part of change request 184 was to clarify the scope of what was, in effect, statement of work 8?---Mm.

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I'm just asking you why, again, to your knowledge, there was a need to clarify a scope at this stage of the contract?---From a contractual perspective, there was no need but I think that request came from IBM and what they tried to look at is to reposition the terms that may have made it a little easier for them to work in, but I think the term we used in change request 184 was IBM's attempt to rewrite history and that means that there was various aspects of the contract and the statement of work then were changed to - and deliverables were removed to provide a path for IBM to achieve go live.

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Now, can I take you to page 203. This is part of an amended statement of work 8, it's version 1.2 it says in the footer. You'll see there it's telling you what it does. 8.2, it says in the middle of the page, "at-risk payments". Now, you spoke about these earlier. "The parties agree that schedule 19 does not apply to this SOW 8 as expressed excluded." Is that one of the instances of the at-risk payments being given away, I guess?---It is, yes. And, in fact, the - it was - I think we would have advised that was - our view that shouldn't have happened.

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COMMISSIONER: Should not have happened?---Well, why would you have an at-risk payment if you then exclude it.

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I wasn't sure whether Mr Campbell said "should" or "should not"?---No.

MR HORTON: Yes. The commissioner just - - -?---And, see, this was the only statement of work that was remaining intact at the time. It was more, I think, of a - to ensure

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that the money that had been proposed, the cost of it was fully recoverable, IBM are given the length of time they worked on that particular statement of work. 1

Yes. So we can be clear, your view was that it should not have happened. Is that - - -?---No, it should not have happened, no.

Now, can I take you to paragraph 50, please, of your statement. In a very general way here, you talk about concerns you have with the management of a vendor and the way in which the statement would be put at risk. Are you able to give specifics of the types of things here which you're referring to in a general sense? For example, IBM providing software then failed?---These were a series of concerns that were being worked through by various people, not just our team but also from people within Queensland Health who were also uncomfortable with the way that the project was moving forward. So each of these is a - is really - is an item that we had identified in that we were seeking advice from - as to whether or not these had an impact on our ability to manage the contract and also as to whether IBM was, in fact, able to deliver the project in the time frames that were firstly agreed. 10 20

Yes. So the specific things you would point to in relation to any of those sub paragraphs A to G as being particular examples which support the things which you say there, IBM justifying delays on past events, high turn over of IBM personnel, are there particular things which stand out as examples of those?---I think, for example, the IBM project managers, there was two or three replacements of the project manager without the necessary adherence to the conditions of the contract. The specified personnel were removed from the project without the management team being informed and without that change being incorporated into the contract. There was no integrated project schedule at all and, in fact, one of my team members was a professional scheduler and I outposted that particular gentleman into the IBM team to provide them with the necessary skills, resources to create a manageable schedule. Within the schedule, there was no critical path and one of the fundamental things in project management is to manage your project - was to identify a critical path and to manage your project with that critical path as a key feature of the project management methodology. 30 40

Thank you. Can I skip forward now to paragraph 58. You say a few times in your statement that the ground was prepared to issue formal letters or breach notices against IBM and that process ceased?---Yes. We drafted a letter to indicate that IBM was in breach of the contract. We - as it was our normal process, that was presented to my manager for that to be approved and also that any changes to that document that may have been necessary were changed before it was presented to - before it was signed off by 50

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Ms Perrott and then presented to the vendor. However, in this particular one, it was the - the term that I used there was a word that was used by Mr Brown and he was of the view that the state did not want to participate in any type of litigation associated with the contract, and whilst we presented information to Mr Brown that the breach notice was just a contract management tool and that it was successfully used in the Department of Public Works in other civil-type contracts, there seemed to be a reluctance in the IT area to go forward with what I considered to be a quite valuable contract management tool.

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Did he express to you the source of that view about the state's position of litigation?---No. My understanding of the conversation at the time was that was his view because whilst he had - he knew that we were in negotiations with Mallesons and putting together some documentation relating to the performance of the contract, it was when that was finally presented and the word "breach" presented as in the documentation, I think, that was taken as to lead into a litigation type exercise instead of a contract management exercise.

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Yes. So Mr Campbell, I want to just cover two more topics with you. One is to identify some documents for us about the breach notices and the advice obtained from Mr Swinson. The second will concern the user acceptance testing?  
---Mm'hm.

But just continue for a moment on this breach notice issue, could I ask the witness, Madam Associate, to be shown volume 8, page 311, Mr Campbell, dash 1. It should be in red?---111?

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311?---311.

Dash 1. It should be a briefing note draft from Mallesons?  
---Yes.

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Is that a document you've seen before?---Yes, it is. 1

Is that one of the advices you say or one of the documents you say you caused or you and Mr Bird caused to be brought into existence as part of seeking to take action against IBM or, at least, preparatory to doing that?---Yes.

That document, you'll see from the footer, is dated 30 March. Does that accord with your recollection of that? ---Yes, it is; yes. 10

Is this relating to the allegation which you make or the facts you assert at paragraph 58 of your statement in terms of Mr Brown talking about a document being volcanic. Is that about this time?---No. That was in December and that was a letter. My recollection is that that was a letter that we had drafted to Mr Doak indicating that they were in breach of their contract. This particular briefing note - Mr Bird continued the development of a breach notice in conjunction with representations from Mallesons and that wasn't completed until about the March period. 20

I see?---So the volcanic letter which was never presented was - that was the one I refer to in paragraph 58.

Yes?---But this particular briefing note and the breach notice were never issued.

So the December letter is drafted but never goes to IBM as far as you're aware?---My understanding that was the case. Yes. 30

So far as your immediate visibility is concerned, it doesn't go because Mr Brown says it's volcanic?---That's my understanding. Yes. Volcanic was a term, but in his discussions, again, he was concerned about where such action would be taken and, as I reinforce, he was concerned that he did not want the state to be engaged in a long legal battle with IBM. 40

So at paragraph 67 you refer to a 15-page briefing note ready to go?---And that was this note.

That's the Mallesons 30 March note?---Yes.

I'll just go back up for a moment to paragraph 65. The draft notice and accompanying briefing note finalised in March 09, but Mr Brown says, "Too much water under the bridge." Is that again this note or is it a separate one? ---No. The breach notice and this note was then discussed with Mr Brown and I think that his view was that there were other avenues to be looked at instead of the legal avenues. 50

Let me just check, Mr Campbell, whether we have the other document?---Which is that one?

The notice which you've mentioned. Can I show you a document please and ask you about it. It's schedule S17, notice to remedy, with attached notes, details of breaches. Can you tell me whether you think that's the document and, if not, where in the course of things that might have arisen?---This is that draft breach notice. Yes.

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The one you're speaking of?---Yes.

Okay. Who prepared the details of breaches document which is attached?---Who prepared them?

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Yes?---Mr Bird in conjunction with advice from IBM - sorry - advice from Mallesons.

Yes. Did you have any input into these documents?---I would have provided advice to Mr Bird, but Mr Bird worked quite diligently with Mallesons in the preparation of that document. It took quite some time for that document to be finalised because we wanted to make sure that if the breach notice was presented that each item that is outlined in that schedule 17 was defensible.

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Thank you. We'll ask Mr Bird about that document further? ---Yes. Please do.

Can I just take you to paragraph 68. You mentioned there's an email from Mr Bird about issue - - -

COMMISSIONER: What's happening about that document?

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MR HORTON: I'm sorry?

COMMISSIONER: What's happening about that document?

MR HORTON: I'm going to seek to tender it through Mr Bird as the author of it, Mr Commissioner.

COMMISSIONER: All right.

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MR HORTON: Paragraph 68, Mr Campbell, you mention an email from Mr Bird?---Yes.

Can I show you again this document and ask - I might give you that one - issues relating to the draft - - - ?---Yes. That would be that email.

Yes?---In the revision, I've also pointed out this morning that in that item 68 or paragraph 68, I did say that the briefing note and draft breach notice had been provided. In fact, it was a letter that had been provided not the briefing note, but the letter and the briefing note were similar in their content.

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Thank you. I seek to tender that email, Mr Commissioner.

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COMMISSIONER: Yes, thank you. 1

MR HORTON: The email dated - the front cover anyway - of 21 April 2009 from Mr Bird to Mr Brown and Mr Campbell.

COMMISSIONER: Yes. The email from Mr Bird to Mr Brown and Mr Campbell of 21 April - is it - 09 - - -

MR HORTON: It is, yes. 10

COMMISSIONER: - - - is exhibit 69.

ADMITTED AND MARKED: "EXHIBIT 69"

MR HORTON: Thank you, Mr Commissioner.

Just before leaving this topic, Mr Campbell, can I take you to paragraph 73? I think you might be speaking about a slightly later point in time here. You refer earlier to May 2009, but what is the time to which you're referring here as the critical time, it seems, at which the breach notice would have been proceeded with?---My view was that the breach notice should have been proceeded within around the first quarter of 2008. We had taken advice from Mr Swinson at Mallesons and so that was external legal advice and then we sought legal advice from legal counsel within the Department of Public Works and the advice from both those entities indicated that to protect the interests of the state that we should proceed with issuing a breach notice to IBM. 20 30

Thank you. Can I turn to the last topic, Mr Campbell, of user acceptance testing. Before leaving that topic, Mr Campbell, there's a reference there to senior counsel, not being sure, I think, who senior counsel was. Do you recall there being a senior counsel engaged by Mallesons, a barrister?---My understanding - and that was from information provided to me by Mr Bird - that there was a senior counsel present in the drafting of that draft breach notice and my understanding at the time was that that was to ensure that the way the notice was presented was able to be defended. So there was advice taken and my recollection was that Mr Bird said that there had been some senior counsel. 40

Thank you. I'll take - - - ?---But the name of that person, I'm not familiar with.

So paragraphs 77 and following is user acceptance testing and the severity of defects. Mr Cowan conducts the user acceptance testing, is that right, from KJ Ross?---He led the user acceptance testing team. So he was responsible for the progress of the user acceptance testing and for reporting up to the project and program board on a weekly basis of the results of user acceptance testing. 50

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Part of that testing there was an entry criteria in order to commence?---Yes, that's right.

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That entry criteria involved, at least sometime earlier before the testing started, there being no severity 1 or severity 2 defects. Is that correct?---The entry criteria into any user acceptance testing would indicate that - that normally a series of system tests have been conducted with the vendor to ensure that the system is operating in a robust manner. These are normally issues around integration testing and other forms of testing that the vendor would normally undertake. The severity 1 to 4 errors are normally those that are associated with user acceptance testing and the user acceptance testing is usually undertaken by the customer not by the vendor. So the entry in there would be certain criteria - and it varies from project to project. I can't recall the exact entry criteria for testing of statement of work 8.

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Yes, and in the course of user acceptance testing, and here 1  
I'm really focusing on the fourth phase of user acceptance  
testing, there emerged a very large number, I think it's  
fair to say, of defects which at least initially arise as  
severity 2. Is that correct?---That's correct, yes.

And severity 2, on any view, has the label of "major", is  
that right?---That's correct, yes.

And those severity 2 defects are notified by Mr Cowan and 10  
his team on a daily basis sometimes, and often there are a  
very large amount outstanding in terms of the IBM side of  
the equation, and by that I mean identified as open IBM?  
---Yes, the issue with what Mr Cowan observed is that each  
- whilst a user acceptance test indicated a severity 2  
error and that error was then rectified by IBM, when it was  
re-tested the test would fail at another part of that test.  
An observation was that the error was being pushed down a  
path, for example, and an error would be identified and it 20  
would be rectified but it wasn't clear to me whether the  
test within that particular phase of user acceptance was  
actually re-tested, is that they only tested the fault,  
fixed a fault. So when the next level of user acceptance  
testing was undertaken, that error would then present  
itself but in a slightly different way.

At paragraph 93 of your statement, you mentioned the  
reclassification or definition of some of the severity 2  
errors as "3A"?---Yes. 30

Might the witness, Madam Associate, please be shown  
volume 9? 30

I'm going to take you, Mr Campbell, to page 320, and you  
don't need that volume any further.

COMMISSIONER: Page 320?

MR HORTON: Yes, page 320, Mr Commissioner?---3 - - - 40  
320?---320.

I'll show you the second dot point. This relates to the  
second phase of user acceptance testing, but I want to use  
it as an example for something. The second dot point  
speaks about reviewing severity 2 defects and reclassifying  
them as severity 3 priority 0. To your knowledge, what  
effect did that have under the contract of taking a  
severity 2 down to a severity 3 priority 0?---From a 50  
contractual perspective, there was no provisions for that  
level of severity. The reason for allocation of severity  
levels is quite importance in user acceptance testing,  
because a severity 2 would indicate that a major part of  
the system is failing. In my experience, no system has  
ever gone live with any severity 2 errors, so I did find it

quite unusual that if an error was present in a particular phase of user acceptance testing that prevented the system from going live, for that error then to still be there but for the system to go live and to reclassify that I thought was unusual. And there was no provision in the contract for a severity 3 priority 0 level of error.

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By "contract" you're referring to schedule 26 - - -? ---Schedule 26, which is the warranty provisions. In stating schedule 26, one of the deliverables is that IBM warrant that the system works when it is delivered, so the warranty provisions aren't necessarily for after go live but they are consistent during testing and then following the go live as well.

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Now, assume for the moment that there are numerous other instances in user acceptance testing phase four of there being a redefinition of severity 2 errors as something less. If that's occurring on a regular occasion, is that something you say is usual or unusual in a project of this kind, even complex projects of this kind?---I have never worked on a project that has undertaken so many phases of user acceptance testing. It's quite normal for, as long as the entry criteria have been met correctly, that there are always some errors through user acceptance testing but these are mainly rectified. It is my experience that in phase two that those errors are re-tested and that the system then is fit for go live. I've never been associated with this much testing of a system and to have consistent high levels of failure.

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Mr Cowan presents his report, I think it's 27 January 2010, and it shows there are some continuing problems in the system, and then there's a decision whether the system ought to exit UAT phase four. Were you involved in that decision?---No, I wasn't. I've seen the document presented by Mr Burns, which was, from my recollection, said that whilst there are some issues they were manageable, but that generally, I think, most of the conditions that he identified during that were all green, which is green for go live.

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In terms exiting UAT, I think it's "cut over phase", is that possible? The gate was "cut over"?---I can't put that into evidence.

COMMISSIONER: Sorry, missed the question.

MR HORTON: I thought the gate at which one exits UAT phase four is called "cut over", I was putting that proposition?---Once you've exited user acceptance testing and then you are in the phase of cutting over into production. Normally, in a system of this type all of the testing is done in what they call a "development environment", and then the operational environment is then prepared for that system and the system is then, from that

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state that it has been tested, is then migrated into the operation environment. 1

Were you involved at all in revisiting the criteria by which this system would exit UAT phase four?---No, that was a project issue.

Thank you. Can I do two further things, Mr Campbell? One is you refer in your statement to a paper you'd prepared, I just wanted to have you identify that, I don't think it's in the bundle. You do so, I think, at paragraph 84, produced a paper which made certain recommendations and nominated an escalation path. Can I show you a document "LATTICE Replacement Implementation Project Discussion Paper"?---That's the one that I'm referring to, yes. 10

You are the author of that document?---I am, yes.

Do you know about what date it was that you wrote it?---It would have been during the first phase of user acceptance testing, it was naughty of me not to date this but what was happening was that during the testing phase defects that were identified by IBM were being referred to as "new business requirements". Queensland Health's view was that the majority or all of the items that were being tested, as far as user acceptance testing, they were all normal business practices that were being undertaken in the LATTICE system. For IBM to identify that these were new business requirements was not correct, but we ended up at a - it was quite an impasse and I can recall that I had a meeting with Mr Gower, Mr Bird and Mr Ray, I think it was, when we walked through and I think Damon Atzeni may have been there. 20 30

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We walked through these and I proposed a question to Mr Gower that - as to where was the requirements traceability matrix for the project. Now, that's a normal tool that I've mentioned earlier where a business requirement is identified and agreed, then there's a functional specification, a technical specification and a user acceptance test. So in normal project management, that document is quite critical in the - (a) in the scoping; and (b) ensuring that the customer tests the scope. It's quite common in projects that, in testing, there have been items that have been excluded from scope just through normal business practice in that a customer is not at any point in time 100 per cent confident that they've gathered all the business requirements, so there is - it's quite usual for a defect to actually have a - to be a new business requirement. That's completely acceptable. But the items that were being presented by IBM as new were, in fact, items that - business processes that were currently employed. I worked with Mr Atzeni to identify some of these and they were quite a large number, and within this document I think I have three or four typical examples of what was just normal and they were, in fact, normal business requirements of Queensland Health.

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Yes. So just to make sure I understand this, Mr Campbell, even though there were user acceptance testing, if a defect's thrown up, then one would ordinarily identify the defect, trace it back to a business requirement, which takes us back to the scoping ordinarily undertaken at the commencement of the project?---And that's why I mentioned earlier where the business preparation phase becomes so important in that there is this traceability back from - to that agreed scope at all points in the project, and from a vendor view would not develop anything that was not in the scope because it's not in your nature to do that, but as a customer it's also that you need to put as much effort into ensuring that as much of the scope has been identified, documented and agreed in that phase.

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Whom did you give this paper, if anyone?---That was presented, my recollection would have been, to either Mr Brown or Ms Perrott.

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Thank you. I tender that document, Mr Commissioner.

COMMISSIONER: Yes. Can I see it, please?

MR HORTON: We'll have to have copies made for the main parties who haven't received a copy. And finally, Mr Commissioner - - -

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COMMISSIONER: Mr Campbell, what approximate date was this?---It was during the phase one of user acceptance testing, so - - -

Can you put a month on that?---I can't recall the date. 1

Early 2010?---That would have been in 2009, I believe.

2009. All right. Mr Campbell's discussion paper is exhibit 70.

ADMITTED AND MARKED: "EXHIBIT 70"

THE WITNESS: And the discussion - the outcome was agreed by the parties and there was an escalation process put in place, and it worked quite successfully. 10

MR HORTON: Thank you. Can I hand up, please, exhibit 68, Mr Commissioner, Mr Campbell's statement but as he corrected it a couple of days after the original.

COMMISSIONER: Yes.

MR HORTON: That's my examination of this witness, Mr Commissioner. 20

COMMISSIONER: Yes. Thank you. Now, is there any agreement upon the order of questioning? Who should go next? Mr Kent, do you - - -

MR KENT: Mr Campbell, can I just take you to one aspect of the chronology that counsel assisting has taken you through and it's the process that results in, at the end of the day, contract change 184. Do you remember being asked about that a little while ago?---Yes. 30

I think it may flow from your evidence already but is it the case that process that resulted in 184 unfolded over a number of months?---The 184 in particular wouldn't have been months but I think there was probably a series of events that took place that commanded in 184, yes, and I think we probably assumed that item that had been following the condition precedent may have been the commencement of that process. 40

Yes. You told us about the draft letter that I think you showed to Mr Brown and he described it as being volcanic? ---That's the term that he used, yes.

That was at the end of 2008?---Yes. That was in about December 2008, yes.

Was that the start of these processes that eventually ended up in 184 as you perceived it?---I would have assumed that - probably in review, when we originally engaged Mr Swinson in about the August/September time period when we started to identify that there were failings that may have been at the commencement of that process, but I can't recall the chronology. 50

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I think it might be right that contract change 184 itself was not executed until the end of June 2009?---I would have to look at that to see, yes. 1

All right. Well, I think you've already told counsel assisting that you were certainly aware of negotiations that led up to contract change 184. Correct?---Yep.

And you had yourself part of them but you provided briefing notes for them at times?---Yes. There was, as I said, a briefing note that was drafted. It contained quite a number of - quite a lot of information as to what was being proposed and what our view of those changes were. 10

Right. And as part of that - so at least falling in that chronology was the note from Mallesons that you were taken to by counsel assisting, do you recall that, from Mr Swinson?---Which particular note? There was many from Mr Swinson. 20

Well, I think the one that I'm talking about, at least, you might have to be shown, it is, I think, at volume 8, page 311. I think the page numbering starts at 311-1 and goes on for a number of pages. Now, just - I may have missed this. Do you think you actually saw this at around about that time, that is the end of March 2009?---The - my recollection is that the brief notice and this draft briefing note was presented to Mr Brown and my recollection is that the - at that time was - the instruction was to cease any further work with reference to the legal arrangements of the breach issues at that time. Then my recollection was that Mr Swinson indicated that the briefing note had been completed and that we asked for that, just for - to have it on our records. But the - that particular briefing note itself was never ever issued because it was really the supporting information for a breach notice. 30

Right. But it's something you read at the time?---Oh, yes, yeah. Can I just take you, then, briefly to some of the options that it canvasses, and if you look at page 311-13. Mr Swinson there, apparently there's a heading called "Options" and he canvasses a number of options. Correct? ---That's correct, yes. 40

The first one being audits and that really is a recommendation to seek more documents and records. Correct?---Mm'hm.

And then there's a request to produce those documents? ---Yes. There was a - on my recollection, there was a letter sent to Mr Doak asking him for a series of contract deliverables to be delivered. 50

Yes. The next thing that's canvassed is withholding payments in 10.3. If I can just summarise, it seems that he's saying there that's an option, but there's likely to be contention over whether deliverables had been accepted and thus what payments are owing. Is that the way he puts it there?---Yes, that's correct.

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But nevertheless CorpTech can withhold payments until a satisfactory resolution is achieved?---That was an option that was available to us in the contract. Yes.

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Another one that he canvassed was verbal negotiations to continue on a without prejudice basis. Correct?---That's correct.

Then in a bit more detail he considers the issuance of a notice to remedy. Correct?---That's correct.

If I may summarise at the end there, he looks at the possibilities and says, "We're concerned that the notice to remedy glosses over a few areas of weakness. We only recommend sending this notice after CorpTech has made the formal request for documents that it discussed earlier." Correct?---Mm.

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In other words, to proceed with that further it had to be beefed up a bit first?---Yes, yes. So it was to ensure that the deliverables were actually - the contractual deliverables had been delivered. Yes.

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I understand. Then his next option is issuing a notice to show cause and if I summarise again, he says, "Issuing such a notice would not require IBM to remedy a breach and they're likely to respond with an allegation that CorpTech caused or contributed to the breaches," so it may be counterproductive in the author's view causing the parties to expend time and effort on arguments as to who's at fault. Correct?---That would be correct. Yes.

He, at least, personally wasn't recommending that at that stage?---No.

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And then similarly perhaps in an escalating fashion, he deals with the possible termination of the contract for material breach at that stage and, again, to summarise he says, "Purporting to terminate is likely to be vigorously opposed by IBM on the basis that CorpTech has approved prior documentation impliedly consenting to delays and thereby waiving rights to termination." Is it fair to say that there were quite a few options and some of the options were not free of complications, if I can put it that way? ---Yes. I think the option that we were looking at was to pause and then to work with IBM to overcome whatever the issues, whether they be real or perceived, so that we could get a way forward established as quickly as possible, but

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what we were really - and we thought that - we being the vendor management team thought that that was the contract management tool that best applied in this particular instance. The behaviours of Queensland Health, which I think is what IBM refer to - I was unaware of what those were and then when the statement that the customer have contributed to the breaches, I'm not able to comment on what they may have been because they would have been project related items and on a day-to-day basis we had no exposure to that.

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You were contract managing from CorpTech, which is where you worked. Correct?---That's correct. Yes.

And perhaps one of the slight complications was that the person actually receiving these deliverables really was Queensland Health who were (indistinct) a contracting party?---The deliverables were an output of the project team, of which Queensland Health and IBM participated. Once a deliverable had been completed it then underwent a review process and the review process involved the Solution Design Authority within CorpTech and once the document or the deliverable had been reviewed to the satisfaction of the project and of the Solution Design Authority it was then presented to us as a contact deliverable. So we looked at that deliverable just from a timing perspective because that was related to the terms of the contract and then to the payment schedule.

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I understand. So you seem to be describing a process that had a number of stages or layers to filter through. Correct?---That's right. Yes.

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All right. Yes, nothing further.

COMMISSIONER: Thank you. Mr Traves?

MR TRAVES: No questions. Thank you.

COMMISSIONER: Mr Ambrose?

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MR AMBROSE: No questions.

COMMISSIONER: Mr Sullivan?

MR SULLIVAN: No questions. Thank you.

COMMISSIONER: Mr Doyle?

MR DOYLE: I do, your Honour.

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Mr Campbell, I know you've done your best with your recollection of some things, but I'll have to take you to some documents to see how we go?---Yes, certainly do.

It is right to say in a very summary form that ultimately you know there was a whole series of change requests which were agreed to by CorpTech?---This is change request to statement of work 8? 1

Change requests generally?---Generally? Yes.

There were a large number of them that were agreed to by CorpTech. Yes? You've got to answer audibly?---Yes. 10

Which had a variety of effects. Some would extend time, some would extend scope, some would call for the payment of extra money?---That is correct. Yes.

The outcome of those was to effect, by a series of those change requests, variations to the contract as you understand the process?---Yes. That process was - there was a schedule in the agreed contract that outlined the change process and as long as there was a valid reason and both the customer and IBM followed that process then we as a vendor management would not - we would just incorporate that into the contract. 20

My question is probably a simpler one, but the purpose of change requests and their approval was to effect a variation to the contract?---Yes.

Thank you. Should I infer with few exceptions, you've not read the statements of work for the purposes of giving your evidence?---No, I have not. 30

All right. Can I just take you to some things and see if I can refresh your memory?---Yes.

Go to paragraph - sorry. Have you read the contract for the purposes of giving your evidence?---No, I have not.

Could you go to paragraph 17 please of your statement? ---Yes. 40

Just read what you say there to yourself?---Yes.

A statement of scope was something in respect of which an estimate price rather than a fixed price had been given? ---A best estimate. That's right.

Yes. What you're telling us here is that it was allowed to vary by 10 per cent?---That was my recollection, but it may have been different to that, but I - - - 50

I'll show you something in a moment; and provision was made in the contract - - - ?---I'm sorry. Yes.

Provision was made in the contract that if a variation exceed 10 per cent, IBM was to refer their pricing to an independent third party?---That is correct.

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If I were to suggest to you that what in fact the contract provides is for a variation of 15 per cent, would you disagree with me?---No, no. As I said, these were my recollections. 1

Right. And that if the figure estimated by IBM was more than 15 per cent it was the customer, CorpTech, who had the right to refer the assessment to an independent third person?---That was what was agreed. 10

So you're agreeing with me that I've got the contract right?---As I said, I haven't read it. These were my recollections.

Can you help me with one more recollection? Is it your recollection that CorpTech never invoked that independent assessor's provision?---It was never invoked. That's quite correct.

Thank you. Next you've said - and perhaps you were doing it in a broad-brush way - that there was never a deliverable delivered on time or words to that effect. You haven't checked obviously the timing of the requirements under the various statements of work for the delivery of deliverables?---No. You're quite correct. It was a broad-brush statement. We had - - - 20

Can I ask the questions please. You haven't checked the statements of work, for the purposes of giving your evidence, to identify what the various dates were?---No. 30

Nor have you checked whether deliverables were delivered by those dates?---Is that a statement or a - - -

Have you checked, for the purposes of giving your evidence, whether deliverables were delivered by the dates in the statements of work?---I did know there was no information presented to me in the course of my interactions with the commission that I reviewed those documents. 40

Say that again, sorry?---I didn't review any documents.

No, I'm being critical of you?---No, what I'm saying is that the statement I gave was a recollection and I didn't go a step further to say, "Can I see all the" - - -

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And this is something in respect of which there will be documents. A deliverable, in fact, is a document, isn't it, under this process?---Most deliverables were documents, yes.

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And it will have a date on it, and one can, by looking at it, look at the statement of work milestone date and see how they correlate?---Yes, and just to add a little bit of information to what you're saying, the vendor management team kept records in the way of a spreadsheet so each deliverable was identified. The expected delivery date was a part of that spreadsheet, the actual deliverable date was part of that spreadsheet, and whether that deliverable qualified for the - at risk payment was also identified on that spreadsheet.

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You would accept, wouldn't you, there were deliverables delivered by the due dates nominated in the statements of works, even before any amendment to the statements of works?---There were deliverables but it's whether those were milestones, so there is a little difference in that each statement of work had a large number of deliverables that were delivered from time to time, but it was the milestone payments that were subject to the at risk payment.

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Well, I'll put my question more directly. There were deliverables in respect of which there were milestone payment dates which were delivered by those milestone payment dates?---I'm sure there were.

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Thank you. Help me, if you can, with this: you know that in the provision of deliverables, that is, in the compilation of the content of them, there was a degree of dependence by IBM on information provided to it by the customer?---Yes.

CorpTech and Queensland Health, particularly, for these purposes?---Yes.

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You know at least that it was contended at the time that some people were dragging the chain from Queensland Health and CorpTech in providing information to IBM?---I'm unaware of that, but in any project the availability of resources can never be predicted so where provide a schedule you assume that things will be available on particular dates. But the reality of that is there are always unplanned events that vary that, and that's previously why I mentioned the importance of a critical path in a project in that there is what we call "float" - - -

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I don't want to stop you, but you are probably helping me with more than I needed to add to my question?---Okay, sorry.

You knew that it was a tight schedule, that is, the various steps which had to be taken, some as early as late December 2007, some into 2008, it imposed a tight schedule on everyone?---It did. 1

Tell me if you know that IBM had articulated in its ITO response an assumption about the level of cooperation which would be afforded to it by the agencies and by CorpTech? ---Yes. 10

Would you go please, now, to your statement at paragraph 24, where you say, "Statement of work 5 was for IBM to build the core HR system to build all the government awards in the core SAP HR system." You go on to say some other things about - - -?---Yeah, my recollection of that statement of work 5, yes.

And you also go on to say something about - just excuse me - in effect, the curiosity of statement of work 12 not being included in statement of work 8. Do you recall that?---Yes. 20

Can we just deal with statement of work 5 to start with, and for that I'd ask you to go - I don't think statement of work 5 has made its way into the bundle by way of these things, is that right? Can I hand you this please, Madam Associate?---Thank you.

Would you have seen this document during the project? ---Yes. 30

Take a moment to look at it, please. There's no reason to suppose it's not the one that you saw, but just check that it was?---It was a long time ago but it certainly is my memory.

It looks to be it. All right. And if you turn to page 2, you'll see that this is concerned with priority 4 development?---Yes. 40

And you know that there is a separate statement of works, statement of scope actually initially which dealt with the LATTICE replacement, and we'll come to that in a moment? ---Yes.

If you'd turn, if you would, to page 4 you'll see a heading "Solution Design"?---Yes.

And it says in the second paragraph of that: 50

*SAP HR payroll will be used for payroll processing, and as the single source of truth for the HR payroll data Workbrain will extend this SAP foundation to deliver award interpretation in a significantly more cost effective manner.*

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

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And then under the heading Workbrain Awards Engine, just read that to yourself, please. Probably the paragraph on that page will do?---Yes.

Sorry, just for completeness, if we turn across to page 5, Workbrain Award Engine heading, "Workbrain will be used to configure all time related awards conditions and business related pay rules"?---Yes.

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And if you turn across to page 6, there's a heading Rostering Agency Awards?---Yes.

Just read the opening words of that to yourself. You'll see it says, "Contract to implement this design where Workbrain" and so on?---I can see that.

And then, "Some of the detailed process flows in this design are Workbrain," and then the second last dot point, "Awards interpreted work details are exported to SAP by a custom payroll export interface"?---Yes.

20

The priority core statement of works was to have Workbrain used as the pay rules awards interpretation component. Do you recall that now?---I can recall that now, yes.

So you'd accept that what's said in your statement is a misrecollection?---Yes, you're quite correct.

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I stand corrected, this is intended by the lot, I'm told, I'm sorry for that.

COMMISSIONER: I would have been surprised if it wasn't, I must say. Where is it, can you tell me?

MR DOYLE: It's in volume 2, at page 61. You can give me that copy back now. It's still in paragraph 24, a little over halfway down, you say, "The awards were never built in the SAP HR system". That's probably true, but you're not suggesting that the awards were not insofar as Workbrain was deployed at all, you're not suggesting that the awards wasn't built into Workbrain?---No. It was, again, my recollections at the time in that my understanding, and obviously a misunderstanding was that the core HR functionality was to be built in statement of work 5, and the discussions at the time were that statement of work 5 delivered some off the shelf components. And the reason that I did have some papers that I kept from the project in one of the documents relating to statement of work 8, there is specific mention made of statement of work 5 and with the passing of time my understanding was that - my recollection was that the awards were to be configured in 5 and that the 12 was to do with the interpretation of the awards.

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We'll come to that, we'll come to 12 and we'll come to 8, 1  
we'll come to a few things to try to refresh your memory.

What you've said in 5 is, you now accept, a misrecollection  
of the contractual position?---In part, yes.

The part that says, "Awards would be done in SAP rather  
than in Workbrain," and the part that says, "The awards  
were never written," is wrong?---Yes, that's been 10  
misrepresented by me, yes, that's right.

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Okay. Thank you. Now, can we turn to paragraph 26 where we start to deal here with when you deal with statements of work 7 and 7A?---Mm'hm.

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Sorry, 7 and 8A. And just to put that in context, is it your recollection that statement of scope 1 under the contract was the statement of scope which provided the best estimate to do something to do with the interim replacement of the LATTICE system in Health?---I can't remember the wording of the statements of scope. I can recall in general what they provided for.

10

Is it your general recollection that there was one, whether it was number 1 or - - -?---Yeah, it was to do with that. Yes.

Which was concerned with an interim solution for Health to do with LATTICE replacement. You have got to answer audibly, Mr Campbell?---Yes.

20

Yes. And that there was a best estimate price which the processes of the contract contemplated would be turned into a fixed price. Yes?---Yes. And that at least statement of work 7 was concerned with doing some work to achieve that? ---Yes. It was to - my recollection was it was to gather the scope of what the replacement system would deliver and then that would be delivered under - - -

Eight?---Eight, yes.

30

Okay. Now, you describe it as being - involving IBM being in a position to learn more about what was required? ---That's correct.

And is in fact to identify the scope of what's to be the interim LATTICE replacement solution?---That's right, yes.

Now, is it right to say that you would see the right approach for the scope, that is statement of work 7, which is to identify the scope, the scope to be defined and agreed, and then for statement of work 8 to be approved to implement that agreed scope?---The - yes.

40

The process?---The normal process would be that there would be a piece of work to identify and agree the scope and then another piece of work to do it.

Could I ask you to go to volume 4, please. Would you turn to page 63. You should have a document there which is called QHIC scope definition?---Mm'hm.

50

And I'm going to take you through it, but can you just have a quick look through it and tell me if it's something that you think you have seen before today?---As I said, most of these were normally project deliverables and whether I've seen them or not, I can't recall.

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You haven't seen it recently anyway?---No.

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Right. So if you saw it, it was six or so years ago?  
---Yes.

I just want to take you through some things and see if it affects what you've told us today. Would you go to page 64. You will see it as a provision history and it has a document being provided to Queensland Health, at least, on 21 December 2007. Do you see that?---Yes, I can see that.

10

Or at least feedback incorporated following a meeting on that date?---Mm'hm.

And the revision date seems to be the same day. Now, you can recall, can't you, a scope document for what is to ultimately become the LATTICE replacement as provided - - -?---Sometimes.

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- - - just before Christmas in 2007?---Yeah. My recollection was that the document - there was a version 0.9 scope document. The - - -

That seems to be right. If you look at that column, there's revision numbers and it's got 08 to 012?---Mm.

So is it right you can recall - not - I don't want to recall the detail but for the moment you can recall a scoping document provided to Queensland Health around about Christmas 2007?---I wouldn't say that was - again, these are project documents and I had little interaction with the project or the way the project worked. Certainly, the feedback that was given to us was that there was not an agreed scope document.

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When was that?---That would have been, obviously, during the time with user acceptance testing and that was part of the - - -

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Can you put a year on that?---No, I can't recall the years but user acceptance testing was in 2008.

When did you start with CorpTech?---I started in 2005.

Right. Well, can you tell me, please, whether you know a document, a scope document was provided to Queensland Health in or about Christmas 2007?---Again, I can't - that was a project issue.

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Right. So you're unlikely to be told if it was. Is that - - -?---If it was a contract deliverable, then it would have been presented to our office as a contract deliverable and if it was subject to a payment then if that was the case, then I would have signalled or initialled on

the cover of that deliverable that it had been through the review process and received by my office. So if I had seen it, then my - it would be the front page only. 1

Well, ultimately statement of work 8 - sorry, I'll withdraw that. Ultimately, statement of work 7 was something for which IBM was paid?---That is correct.

And your understanding is that the entirety of that was to have IBM produce a scope document?---Produce a scope document and to provide a price for delivery of that scope. 10

Ultimately, statement of work 8 was approved, which is the work to carry into effect something which would be a scope - - -?---To deliver the scope, yes.

All right. Well, I'll just press on, if I may, for a moment, because you said some things about what was or wasn't included in statement of work 8 and I just want to deal with this?---Yep, that's fine. 20

Turn to page 66, please?---Of the scope definition?

Of the volume that you have?---Yes.

And you'll see there's a heading "Contributors". "The following area of staff were consulted during the development of the document"?---Mm'hm.

And I don't think you were there but this is the kind of consultation that you would see as likely to occur in identifying the scope?---That's right, yeah. As I said earlier, normally you would identify areas of operational significance within an organisation and you would draw into a workshop or meetings those particular people, and if these people are representative of that, then that's what would happen. 30

Okay. Turn, please, to page 73. There's a heading "Scope Development Principles". Tell me if you can help me with this. It says under the heading "Minimum Scope" - well, I suppose I'll really start ahead. "The principles employed to ensure that this occurs are" and then it identifies some, and the first of which is under heading "Minimum Scope"?---Yes. 40

*To provide the interim solution for Queensland Health it's been agreed that the key scope determination principle is that the minimum possible functionality that allows Queensland Health to continue HR payroll and rostering operations and so on.* 50

So you understood, is it right to say, that was the intended scope of the interim - intended principle to be applied in the interim LATTICE replacement?---Yes. My

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understanding at the time was that the interim solution would deliver a like for like to the existing LATTICE system and that the next phase would be to look at integration with later finance systems and other things as the project - as the whole of government initiative progressed because the - Queensland Health at the time had a very old payroll system and during the course of the work that IBM would have undertaken, that would have been upgraded so therefore there would have been new interfaces, new chartered accounts, et cetera, that would need to be developed after the interim replacement system.

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Right. But you understood - is it right to say you now recall that was to be the subject of statement of scope 1, which I'm asking you to assume is the one dealing with the LATTICE from Queensland - - -?---Mm.

- - - and the activity for statement of work 7 was to identify itself a scope of works which was a minimal fix rather than everything?---The minimal fix was that it - my understanding was that it replaced the LATTICE system.

20

In its entirety?---Well, it's a payroll system and if - you can't only pay half the staff, so if LATTICE was working, albeit with a lot of manual workaroud, then the minimum would have been that everybody that was currently being paid with the award conditions under LATTICE would then be paid under this interim solution.

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Okay. I'll put the question slightly different. Did you understand that the - is it your recollection that you understood that the scope, which was the subject of the LATTICE replacement, was to be the minimum possible functionality?---That was spoken at the time. Yes. 1

Thank you. Could you turn now please to page 75. Do you see any accountabilities?---Yes.

You deliver the scope associated with the interim solutions and accountabilities model has been agreed between Queensland Health, SSP and QHEST?---Mm'hm. 10

It then identifies, "Primary responsibility is retained by prime contractor, who in general will build and project manage services," et cetera?---Yes.

If you turn the page - and I don't want to stop you reading what it says - it identifies a series of different activities and whether the accountability is to be IBM on its own, IBM giving advice to someone else who is to do the accountabilities or whether it's to be a joint accountability?---Yes, and that's standard. 20

That's standard?---Yes.

If you just look at the scope development and documentation on page 76 we see that - is it a right understanding of this document that the agency requirements - see that is the second entry - would refer to Queensland Health's requirements?---That's right, yes. 30

And IBM is to advise that the accountability responsibility is with QHEST?---Exactly, yes.

Similarly, if we look at business process, which must be a reference to Queensland Health's business process, it's both IBM and Queensland Health to be jointly responsible for that?---Yes. 40

User acceptance test you see, "IBM is to advise but Queensland Health is to do it," and so on?---Yes.

That's the format of this document?---Yes; and you're quite right, in any project of this type it is the customer needs to undertake their requirements and then, I think as I mentioned earlier, IBM or the vendor would normally then conduct workshops with the people with that specific knowledge to ensure that they are able to understand and document those requirements in a way that is meaningful to them. 50

Right. Just excuse me. Have I missed something I wanted to take you to? Just excuse me please. Yes. Would you turn, please, to page 87?---Yes.

See it says in the second paragraph, "Below is a list of workshops held"?---Yes. 1

"The outcomes of these workshops have been taken into consideration in the development of this document," and then it lists a whole series of things. You didn't attend any of those?---No.

But they are precisely what you would expect would have been done for the purposes of identifying the scope?---I'm sure that if those were held then the outcome of those would have been an agreed scope document and that would have led to those items of scope being documented and easily traceable through the functional technical design and user acceptance testing. That is normal project management practice. Yes. 10

All right. Turn to page 126 please. One of the things you do talk about is the interface between the LATTICE replacement system and the finance system. That's one of the things you've told us about in your statement?---Yes, yes. 20

At page 126 there's a heading Interface Scope.

COMMISSIONER: Sorry, 126?

MR DOYLE: Yes?---Yes, I can see that.

You've read it?---Yes. 30

If you turn the page, you probably won't be able to read that chart?---No.

All right. I'm going to show you an expanded version of that?---There is one in this pack.

There is?---Yes.

Good?---I think that is the figure 4 landscape - - - 40

COMMISSIONER: I expect Mr Doyle has got a clearer copy.

MR DOYLE: Right. Thank you. I'll give you this anyway so you can have a look and see how we go with it?---Thank you.

I'm giving you a document that's described, "Figure 4 as is landscape"?---I can see this. Yes. 50

Which identifies - and it's a very complex document?---It is and I've had - - -

You can look at it if you want to. It reminds me of the GST chart we had some years ago?---I have seen this document before.

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You have?---Yes. 1

Good. It shows, doesn't it, HR component on the left in the green?---Yes.

And finance on the right?---That's correct.

Within the finance section we see something called PAYMAN? ---Yes.

Which is something with which LATTICE communicates, if that arrow - - - ?---Yes. I think it was what we called a mediation system, I think, interface. 10

To the right of it there's some other MAN systems, JAYMAN and XMAN and there's probably others. Do you see those? ---I can see those, yes.

Is this something that you were familiar with back in 2008? ---I'm familiar that the LATTICE system integrated with the FAMMIS system. The reason that it was of interest to me was that - because I'd been asked to look at, as part of my finance implementation lead role - was to look at the existing finance system structures within Queensland Health and advise on some way forward for the finance system. 20

I'm not going to hold you to the detail - - - ?---No.

- - - but the broad schematic representations as you recall it of the - - - ?---Yes. As I've said, I've seen this diagram before or something similar to it. 30

That will do. Can you turn please to page 128 now of the book. I won't trouble you to read all of this, but it starts, "The proposed interim solution requires the replacement of and identifies dot points"?---Yes.

And then it says, "The following approach has been used to scope the integration components required to deliver the interim solution," and it sets out a whole series of - - - ? ---Yes. 40

Can I draw to your attention the second dot point. It says, "QH interface components (indistinct) commission were introduced to SAP and Workbrain functionality replaces the existing system functions." Then it says, "Where no whole of government SO integration." What does that mean? ---Standard offer.

Correct, "Exists to deliver a requirement a custom integration component will be specified and developed." Okay?---Yes. 50

Then the next one, "Given the complexity of the MAN series applications," and you know that to be PAYMAN and XMAN and JAYMAN and whatever else?---Yes.

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"Their interrelationship with multiple other applications in the HR and finance landscape and with significant QH business and change impacts will be associated with a removal" et cetera, "replacement of the MAN series application is not in scope for the QHIC project." So just pausing there, one would know that the replacement of the MAN components was not part of this interim fix?---That's correct because the replacement of those would have been replaced when the whole of government finance system was implemented.

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Correct. So the interim fix was not to do that. That was to be part of the coming to fruition of statement of work 5 and others. Yes?---Yes.

Then I'll ask you to skip some words - perhaps not, "These interfaces are specified in section 6.5.2 below," and then if you skip a sentence it says:

*QH will be responsible for the identification, development, testing, implementation and training of all changes required to the FAMMIS, DSS and the MAN series applications as a result of the implementation of modified or introduced integration components required to implement the interim solution.*

20

So that it was identifying what was not the scope of IBM for the interim solution - - - ?---Yes, yes.

30

- - - and what was Queensland Health's responsibilities? ---Yes. And that follows normal project management - - -

Of course?---- - - that those particular systems were out of scope.

The substance of it was this, if I can sort of paraphrase it: Queensland Health finance system was ultimately going to be replaced itself with the SAP finance system?---That's right. Yes.

40

The interim solution was to do something to replace its HR component?---Yes.

In a minimally function, as we described already, but in order for it to mesh, integrate with the MAN series, either IBM could be responsible for that or QHealth could be responsible for that?---For the interface?

50

For the adaptation of MAN to continue to perform finance functions but receiving information from what IBM was providing in its HR, and this document, on its face, seeks to identify at least part of that work to be done by Queensland Health?---Yes, and that's quite normal because - - -

1

Let's not spend time - - -?---Yes.

And it clearly outside the scope of what IBM was saying in this document would be in its scope for the interim solution?---Yes.

10

Thank you. Can I ask you to turn to the next sheet of that volume, 129? Do you have a fold out version of that?---No, I don't.

All right, I'll give you one. I think at least in my copy, Mr Campbell, page 129 of the volume hasn't been folded out? ---No, I can see that.

20

Just take a moment to look at that version. Is that something you're also familiar with back in 2008?---I'm familiar with landscape documents and I was familiar with the landscape, but whether I can honestly say I've seen this particular page - - -

All right?---But I'm familiar with the landscape, yes.

This is in fact the 2B landscape, so this is the prospect in a sense, isn't it. One will have to read the whole document I'm sure, but this is, you'd understand, to be the thing which would describe what it is within IBM's remit and what's - - -?---Yes.

30

- - - Queensland Health's remit? Through the counsel assisting, I would seek to tender those two pages.

COMMISSIONER: All right. I will make them exhibits 71A and B. how would I describe them?

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MR DOYLE: The first is figure 4, which is the as is landscape.

COMMISSIONER: They're data flow landscapes, are they? ---They're interface landscapes, I think.

Interface landscape? All right?---That's probably the easiest way to refer to them.

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All right. Thank you.

MR DOYLE: Sorry, Mr Commissioner, I didn't hear if you gave a number for those.

COMMISSIONER: Yes, 71A and B.

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MR DOYLE: Thank you.

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ADMITTED AND MARKED: "EXHIBIT 71A"

ADMITTED AND MARKED: "EXHIBIT 71B"

MR DOYLE: Would you turn, please, to page 132?---Yes.

To section 6.5.3 "Additional Modified Interfaces"?---Yes.

10

"The following items are modifications to the current standard offer RICEF items." Do you know what a RICEF is? ---Yes.

All right?---Reports, Interfaces, Customisations, Enhancements and - - -

COMMISSIONER: Flow charts? The "F", is it flow chart? ---No, it's a long time since I've used the term RICEF, but it's to do with the - they're additional components, Reports, Interfaces, Customisations, Enhancements and - - -

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MR DOYLE: Forms?---Forms, that's what it is. Thank you.

I just want to ask you about the form of this document, you'll see that it's got "process ID", I think it is, and identifies some things. I want to draw your attention to 2.2.1, "Cost Object Interface: interface from famas to SAP ECC," and it says, "ECC finance will not be implemented in this interim solution." That was certainly your understanding. Yes?---That's in 2.2.1?

30

Yes?---Yes.

Similarly, in 8.2.2, you'll see there's a second entry, "Summarised pay run financial data, the descriptions interface between MAN series, common database and famas et cetera," and you'll see in the impacts, "Queensland Health will be responsible," and reflects the language that I read to you from the body of the document?---Yes, that's right.

40

You know this document was approved in early 2008, don't you?---According to the approvals, yes.

You, in fact, were involved in the exchange of some emails about is approval, I'll remind you, in January 2008. Yes? ---I can't recall.

You can recall there was attempts to negotiate the form, there was the discussion about the form, the statement of work 8, and some meetings were held?---Yes.

50

And the purpose of those meetings included preparing a draft statement of work 8 with an approved scope of works? ---No, I can't recall those at all.

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Can you help me with this, please? I'll give you a document and I'll see if you can identify them. There's a signature about halfway down the page, "Approve with minor revision," and the date looks to be 25 February 08. Do you see that?---Accepted, yes, there's a signature.

1

Can you tell me who that is?---I have no idea.

The form of this document looks to be a standardised document?---Yes.

10

And this is the form by which something, a deliverable, is either accepted or not accepted?---That's right, yes.

And the deliverable here is scope definition for LATTICE replacement interim solution?---Yes.

Which is the thing we've just been talking about at least? ---Yes.

20

The form of the acceptance is that it would be accepted by someone from CorpTech?---That was the normal case, yes, and at that particular time I probably suggest that signature may be David Ekert's, but I can't - - -

And who was whom?---David Ekert was a CorpTech employee who was - - -

Was he chairman of the acceptance board, change advisory board?---He may have been, I can't recall the membership of that board.

30

But the process within CorpTech was that a deliverable will be provided by IBM, or it should be provided by IBM, which would be accepted - - -?---Accepted by that board.

- - - by someone responsible within CorpTech? I tender that document, if I may, through Mr Horton.

MR HORTON: Yes, Mr Commissioner, could you make a ruling about providing documents ahead of time?

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COMMISSIONER: I did.

MR HORTON: I haven't seen these otherwise I would be - - -

COMMISSIONER: No, I thought I made it quite clear on the first day of the hearings that documents would be tendered through counsel assisting.

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MR DOYLE: You did, you're quite right. I think it's right to say we got Mr Campbell's statement provided to us on Friday, and we've spent the weekend trying to identify errors in his statement. I apologise for not having given this to our learned friends before hand, but we are also

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operating under the difficulty of having things provided to us at the last minute. 1

COMMISSIONER: Do you have any more documents you wish to put in to Mr Campbell?

MR DOYLE: Probably not, but that's not to say I won't show him statements of works and I'm personally not sure whether they are or are not in the - - -

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COMMISSIONER: Statements of work don't worry us, I'm sure, because they're in the bundle.

MR HORTON: We too are under, of course, the same pressure because Mr Campbell is separately represented so we too are under the same pressure, of course. We received Mr Campbell's statement from the crown roughly the same time Mr Doyle does, so there's probably no objection to it being tendered or to me tendering it.

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COMMISSIONER: Have you seen it?

MR HORTON: No, I haven't.

COMMISSIONER: Have we got this? I suspect we have.

MR HORTON: No, I haven't seen it.

COMMISSIONER: What is it? It looks familiar to me, I must say, but there's documents that look the same.

30

MR DOYLE: If it's causing Mr Horton difficulty it can be marked for identification now and we can have a debate about its contents.

COMMISSIONER: There's no point in being cute about things, what is it?

MR DOYLE: It is acceptance of the scope definition for LATTICE replacement interim solution, that is, the thing which Mr Campbell said did not exist and upon which there's something said in his statement.

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COMMISSIONER: The attachment notifies there's a defect notified to IBM and a list of familiar actions, is it?

MR DOYLE: The attachment identifies the minor revisions, if you look at the bottom tab on the first page.

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COMMISSIONER: What paragraph in Mr Campbell's statement do I find this referred to or do I find it asserted that there is no such document? 1

MR DOYLE: 26 in the parenthesis, about the middle of the paragraph.

COMMISSIONER: You say this document is a signed document which identifies the scope of the payroll system for Queensland Health. 10

MR DOYLE: No. It identifies as approved the scope definition for LATTICE replacement interim solution, which is approved with minor revisions and the revisions of those attached in - - -

COMMISSIONER: The LATTICE replacement was a payroll system, wasn't it?

MR DOYLE: Yes. 20

COMMISSIONER: And there was obviously a great deal of debate and concern about whether the Queensland Health business requirements have been properly documented - - -

MR DOYLE: Yes.

COMMISSIONER: and identified.

MR DOYLE: Yes. 30

COMMISSIONER: You say this does it.

MR DOYLE: No. I say the document I just took Mr Campbell to does that and - - -

COMMISSIONER: That is at paragraph 42.

MR DOYLE: Yes. 40

COMMISSIONER: It doesn't, does it? It certainly identifies what's said that would be done but is there any document which - I thought there was none, I don't think I've seen one, which actually identifies and is agreed by both sides the business requirements and the scope of the payroll system. I thought it was one of the reasons we're all here because there isn't such a document.

MR DOYLE: Well, my belief is that the scope document, which does whatever it does, and if it does it well or does it badly, is the document which I took Mr Campbell to. 50

COMMISSIONER: Paragraph 42.

MR DOYLE: Paragraph 42.

COMMISSIONER: All right. 1

MR DOYLE: Now, if that's accepted with the document, you needn't trouble with this, tender of this.

COMMISSIONER: Well, put that question to Mr Campbell and see what he says.

MR DOYLE: I think I have?---The - whilst you're - it's nice to review those documents, my question to you would then be: so if the scope of the document and, in particular, the ones that you have drawn my attention to, which is the 2B landscape, why did IBM then find it necessary to have change request 60 and 61 which incorporated for interfaces into the finance system. And that's the problem that we're facing here, is that, yes, there is a document. 10

Can you answer my question and then I'll answer yours? ---Yeah. 20

The document that I took you to, that is the QHIC scope document is in fact the - - -?---Yes. I have seen - you have presented a scope document, yes.

That is consistent with your recollection of the scope document that was the scope document approved by CorpTech sometime early 2008?---My recollection was the last scope document I saw was at version 9, which was again was unapproved document. My information about the scope and the way forward come from members of the QHIC project team. 30

Do you recall that there was an approved scope document in February 2008?---I recall that in the - the documents that you have provided me, there is an approved scope document, yes.

The one that I've shown you?---Yes.

It may well have been replaced by some amendments later on? ---It may have been. 40

Thank you. Now - - -

COMMISSIONER: Is your point that this document amends the paragraph 42 document?

MR DOYLE: Correct.

COMMISSIONER: All right. There is no objection to it being tendered, Mr Horton? 50

MR HORTON: No, Mr Commissioner.

COMMISSIONER: All right. Exhibit 72 will be scope definition for the LATTICE replacement interim solution.

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MR DOYLE: And it is right to say, isn't it, Mr Campbell, that the scope that - sorry, change request 60 deals with doing something to alter the configuration of PAYMAN?--No. PAYMAN was out of scope. My recollection would have been to provide within the HR solution SAP side of it sufficient capability for that system to be replaced with PAYMAN.

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Okay. So it's to do something to enhance, your recollection is, interfacing between PAYMAN and something else?--It was to provide an interface, that's right, from my recollection of - - -

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I'm going to show it to you?--As I said, I haven't - - -

But can I ask you this sort of question at a more hypothetical level. Change request 60 does something, which at least at the time was agreed to be outside the scope of what was the subject of scope of work 8?--Mm.

So it agreed that it was something outside of the scope of the QHIC scope document I've just shown you. Yes?--Well, from a quick look through the scope presented to me, there was provision in the scope for an interface and my recollection of statement of work 60 was it provided for an interface.

20

Okay. So your recollection is that your recollection, which we'll look at after lunch, was that it was doing the same thing as was done by the QHIC scope document but you recall that the document, that is change request 60 on its face, professed in fact to be saying it's doing something outside what had been agreed in the QHIC scope document? --It was - the way I read it, it was providing for a finance interface.

30

Right?--I hadn't read the - what's in the scope document. As I said, they're not - the scope document is a document that was used by the project team and as a contract in the contracts area, the content of a lot of the deliverables was not reviewed by us at all.

40

Okay. So the - - -?--So I wouldn't know what was in it but certainly my comments in my statement referred back to information that was provided to myself and others at the time that there was no signed off scope document, so there's obviously a - I mean, you quite correctly presented me with a document but the information that I based my recollection was, in my witness statement, was that there wasn't.

50

Well, one last topic before we rise, if I may. So that we should understand that you haven't - the purposes of saying what you've said in your statement about this topic, you haven't read the content of change request 60 to refresh your memory as to what it might say?--No, I haven't.

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And indeed contemporaneously with it being approved back in 2008, you would not have read the content in order to come to an understanding of its technical requirements and what it provides technically?---Not technically, no. 1

No. It was - - -?---We just looked at it as providing a finance interface.

So your concern was to check it was in the right form, that is the document was presented in the right format, that it had gone through whatever processes it was meant to go through, and that if it had a financial impact, that was identified?---Yes. And the events that led up to that 60 was - I think I've also mentioned in my witness statement that when I - in previous experience with implementing systems to do with money, finance, it's the - normally all interfaces have to undergo an audit to ensure that the interface is sound and it was that question I proposed to the QHIC project team concerning the audit of the interfaces and that was when my recollection of the comment was that - and as you've pointed out, that the - that there was no work to be done in the MAN systems, which then my understanding led to the interface having to be provided. 10 20

Right. Is that a convenient time, Mr Commissioner?

COMMISSIONER: Yes. We'll adjourn until 2.30. Thank you.

THE COMMISSION ADJOURNED AT 1.03 PM UNTIL 2.30 PM 30

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THE COMMISSION RESUMED AT 2.30 PM

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MR DOYLE: Thank you. Do you have your statement, Mr Campbell?---I do have my statement and in revising that I did indicate in that statement that there was no - that I did not think that there was an agreed scope of work. Can I take you to exhibit volume 5, page 95.4 please?

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Yes?---In the questioning before lunch, you had been showing me a statement of scope 31. If you would like to read - - -

COMMISSIONER: What page, Mr Campbell?---Sorry. It's 95, page 4, 95.4.

MR DOYLE: Yes.

COMMISSIONER: Yes, I have got that?---This is a statement of work as of 16 June 2008 which was well after the period of time that you are referring to. In the third paragraph of LATTICE replacement scope, and I'll read this:

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*The scope of IBM, the contractor services and deliverables proposed under this statement of work is defined within the deliverable QHIC project scope definition version 0.12. This document should be read with regard to the accountabilities defined in section 2.3 -*

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et cetera. This document was delivered to the Solution Design Authority on 24 December and this is version 0.12 not version 1:

*The contractor has not received comment from the customer regarding this deliverable and this being the case this statement of work 8 is based on the version identified above.*

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Can you please clarify for me - - -

MR DOYLE: I'm happy to do so?--- - - - what the line of questioning - because I've seen - - -

I'll do so?---I agree with you that there is a statement of work which has - a scope - which is deliverable, but I suppose that's the thing that I'm referring to.

50

I understand?---That's where our point - - -

I'll see if I can help you?---Yes.

Those words are a hangover from the original form of statement of work 8. This is an amendment to statement of

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work 8. The original one was provided on 18 January. The document I gave you before is an approval on 25 February?  
---Yes. 1

So those words when written identified that a draft of the scope of works had been provided, version 1.2, and identified there had been no feedback from the - - - ?  
---That's correct. Yes.

- - - customer but that was - - - ?---Yes. 10

- - - overtaken by events, namely, including the approval of that document on 25 February?---Okay.

When it is restated in June, it continues to recite the historical fact which was contained in the original document. Does that help you?---Well, it does and it doesn't, I suppose. That's my point of confusion in - - -

I understand?---- - - that the scope that I've referred to - when I said it was assigned - was the one which I referred to, that 0.12 and that's the thing that's been troubling me through this morning in that - - - 20

I hope we've clarified the - - - ?---Yes, certainly. Yes.

Good. Can I ask you to go to paragraph 29 please?---Of?

Your statement. 30

COMMISSIONER: Mr Campbell, I thought when you were talking about scope and scope definitions, you were talking about a document which dealt with the detail of the business requirements?---That's - - -

That is in some detail what the payroll had to come to grips with, award variations, award conditions, payment in lieu of leave, working through a meal break, working weekends, working late at night, that sort of complexity which we have all become familiar with. Is that what you're talking about or were you talking about something much more general?---No. The scope that I referred to, I suppose, is that whilst there is an agreed scope which is a very high level, the scope is also - and as I've mentioned earlier in my dealings - is to do with the business requirements, the functional scope, the tender scope and then obviously the scope of the user acceptance testing. That, to me, is the scope. 40

The detailed statement of what's required in the payroll - - - ?---Yes. That's the functional specification. 50

All right?---I suppose it's the terminology I've used and I apologise, but that's the sort of document I was referring

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to in that there is - you know, while the requirement is X, 1  
is how X is delivered and that's how I determine the scope.  
So what we've got is really a language - just the way I use  
the language and the way other people use that term. I  
apologise if - - -

MR DOYLE: No, there's nothing to apologise for. The  
contract contemplated a process by which statements of  
work 7 would be the compilation of the defined scope. You  
recall that?---The deliverable statement of work 7 was a 10  
scope document.

A scope. The contract contemplated that would either be  
agreed or not agreed?---Yes, that's correct.

If what I've suggested to you this morning is it was  
agreed - - - ?---There was a - the statement will be that  
scope was agreed. It was accepted.

All right, thank you. Paragraph 29 please. I'll show you 20  
the documents that we need to, but can you recall this that  
statements of work 5 was concerned with something to be  
done for the whole of government roll-out. Yes?---Yes. It  
was in my recollection the five was to build from the  
Queensland Housing pilot and to have a robust HR payroll  
system in place for the whole of government.

Statement of work 8 was different in that it was the thing  
which was to be done for the interim LATTICE replacement  
task?---My recollection was it was to use the Queensland 30  
Housing pilot. There were errors in that, design errors.  
My understanding was that it was to be the basis of the  
design. However, that's a technical question.

No, it's not the one I asked you, but okay. So your  
understanding is that a statements of work 8 was to build  
upon the Housing experience and do something for Health?  
---And my understanding is, you know - - -

But is it also your understanding it was to be something 40  
which was interim, an interim replacement?---That was the  
definition used. The statement of work 8 was an interim  
replacement. Yes.

The intention was had IBM been asked to do the whole of  
this work was that at the end, having done the interim  
task, there would be further work to be done for Queensland  
Housing to deliver to it the rest of the whole of  
government solution?---That's correct. And that was in the 50  
overall - - -

Sorry. I may have said Housing, I meant to say Queensland  
Health. There would be an interim solution for Queensland  
Health and there would also be later on rolled out to it,  
along with other people, the whole of government solution?  
---That's my understanding. Yes.

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Okay. You refer in your statement to statement of work 12. 1  
It, you know don't you, was a scope of works for the  
building of the whole of the government rostering in  
Workbrain?---I can't recall the exact wording, but in  
general terms it was to build the rostering in Workbrain,  
yes.

But for the whole of government solution?---Well, the whole  
of government doesn't use rostering. It's - - - 10

COMMISSIONER: For all rostering agencies?---All rostering  
agencies, yes, yes.

MR DOYLE: Thank you?---Yes. That was the basis of -  
proposed in the original ITO proposal is that they use  
Workbrain for rostering and we did some checking with other  
people who used it throughout the world and they were quite  
happy with it so - - -

Good?---Yes. 20

Thank you. Would you look at paragraph 38 please where you  
refer to statement of work 13?---Yes.

Can I just ask you if you would agree with this: apart  
from the statements of scope that were concerned with the  
whole of government activities, called a statement of works  
for the whole of government activities, the only particular  
agency which was singled out in the contract was Health by  
statement of scope 1 which led to statement of work 7, 8 30  
and so on?---Yes.

You can recall there came a time when the Department of  
Education wanted to be singled out for some separate  
treatment?---That's right. Yes.

That explains statement of scope 13?---Statement of work.

Statement of work 13?---Yes. 40

Indeed, if I suggested to you there were a couple of  
others, you would - - - ?---I think 11 was another one.  
Yes.

11, 11A, 11B as well as 13 are all with a view to DETA  
being singled out for some particular - - - ?---That's how  
I recall it. Yes.

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Very good. And it's your recollection, and you need not go to the detail I think, that there was a description of what was to be done by IBM under those statements of work and an agreed price for doing it?---In the statement of scope? 1

No, there was no statement of scope?---No.

Statement of work 13 identified what was to happen and how much it was going to cost and when it was going to happen? ---That's it, yes. 10

And that was negotiated and agreed by people other than you?---My recollection was that was done by the solution design authority and representatives in DETA at the time.

Thank you. Would you turn to paragraph 46 of your statement, please, and I suppose to put it in context what we're leading towards here is the production of change request 60 and 61. Perhaps I'll show you statement of work 60. Have you seen change request 60?---No, I haven't. 20

You haven't seen it recently?---No.

It's in volume 5, and if you turn to page 88, you have it there?---Yes, I do.

Very good. Did you have any involvement in the preparation or approval of this document?---Not in preparation, no.

What about the approval?---The approval of the document, our role was to - - - 30

Your role, please, your role. I've asked you did you have any role in that?---I can't recall, no. My role would have been - normally would send a draft to my office and in a lot of cases we would review that draft to look at if there was anything contractual that we needed to discuss with my peers on IBM's side.

And if there were, you would?---Yes, we'd either be face to face or an email interchange or both to go through some of the items that we didn't understand, or it may have been part - it was not in the terms. 40

All right. And if there were technical matters involved, you wouldn't trouble yourself with those, that'd be dealt with by someone else?---Yeah, people in the solution design authority were largely responsible for commenting on the technical side, they had quite a large number of technical people working for them. 50

I suppose not necessarily confined to this one, you understand, but the process, if the technical people had some difficulty with what was expressed in the draft change request they would communicate that to either you or the

technical people at IBM and it would somehow be dealt with by some process within CorpTech?---There would be some process, but my understanding was most of that, the detailed discussions on the technical designs, were the solution design authority. 1

Turn to page 88, please, you'll see there is a reason given for this change request, and it says, "During the execution of statement of works 8," that's the one we looked at before, "a number of customer based issues have affected IBM's ability to," is it, "deliver the original schedule, and a six and a half week delay in the QHIC solution go live is required. These issues primarily relate to Queensland Health's ability to deliver the required changes to the Legacy environment to enable financial and other integration from/to the SAP HR/payroll solution." Now, the words "Legacy environment" would at least include a reference to the MAN products that we looked at before?---I would have the same observation. 10

Then it says, "The progress of these issues has been," is it, "articulated and reported to CorpTech and Queensland Health through a number of mechanisms," which are then identified. You can't say that's not true, I mean, that's likely to be what happened even if you can't now recall it? ---Yes. 20

And then it deals at some length with events that have occurred which give rise to this change request?---Yes. 30

Identifying, as you can see, I mean just cast your eye down, exchange, that is, things passing between Queensland Health and CorpTech on the one hand and IBM on the other about this question?---The question of interfaces?

The question of the changes to the Legacy environment to enable the interface to be effected. You can see that's - - -?---As I said, I didn't take any part in those negotiations. Yes, they would have happened. I actually - it was only that you mentioned in the MAN systems that prompted my memory of Pay MAN and those, I hadn't sort of - those system names I hadn't dealt with for many years. 40

Just one more thing and then I'll ask you a question about it. If you would turn to page 89, on the bottom of the page, or towards the bottom of the page, there's the words, "Cause of issue," and then some dot points that follow which includes, you'll see, "Delays due to a determination by Queensland Health, that they did not have the capacity to complete the words involved to Pay MAN to integrate with the new payroll environment." You can see that?---I have read that. 50

Does that ring any bells to you?---No, it doesn't.

All right. It's the case, isn't it, then, let me see if you can comment on this: if the scope of works document made it clear that the changes to the Legacy system to be able to integrate with what IBM was doing was something that Queensland Health had to do, then for IBM to do it would require a change request?---If there was a delay.

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No, forget the delay for the moment, just the actual activity. If the original approved scope of works had said that the alteration of the Pay MAN Legacy software is something that Queensland Health had to attend to, then your understanding of the contract is if, ultimately, IBM was to do that, that would require some variation to the contract?---Yeah, I'm trying to think of how to answer your question. In the contract, it was agreed that the customer had responsibilities as well the vendor having responsibilities, and if it was identified that the Pay MAN or associated systems would need to have some modification then my expectation is that Queensland Health would do that work in conjunction with IBM. Again, I go back to that there would have been a functional scope which would have outlined the reason for the interface and how it worked, there would have been a technical scope which would, again, part would have been how IBM was to configure their side of the system and how Queensland Health - then the agreement would have been that both would undertake their work, then there would be some form of integration testing between IBM and Queensland Health.

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Your commenting on what might have been rather than your recollection of what in fact was provided for in this particular document, I take it.

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COMMISSIONER: Mr Doyle, if what you say is right then you can demonstrate it very easily by referencing the documents, can't you?

MR DOYLE: I agree.

COMMISSIONER: Why take up all this witness' time?

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MR DOYLE: With respect, why does the statement say the reverse, and if the statement says the reverse, and it's put against us, put against IBM, I'm entitled to test it.

COMMISSIONER: If it's as straight forward as you say you could just draw my attention to the documents which show the statement to be wrong.

MR DOYLE: I and others can draw to your attention that the statement is wrong, I agree with that?---My statement said - - -

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No, I'll move on because - - -?---No, I want to. My statement said that I did bring up in a meeting the involvement of audit in that process, that was what my

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intention was, was to ensure - and these are other systems where audit has always played that role, and the response was that there was no provision and that was how I understood that change request 60 was to cover off on that. So my statement says that the - in 46 was the engagement of audit, and in paragraph 47 that indicated that there needs to be interfaces, and, as you have correctly pointed out, that was within the scope that was agreed.

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Thank you. If you turn to page 95. We see, don't we, it's signed by Mr Ekert. Yes?---Yes. 1

Identified as the change advisory board chair. Yes?---Yes.

And that was the board whose function it was to examine and approve variations to the contract?---Yes, that's correct.

It's also signed by the customers authorising officer, Ms Perrott?---That's correct. 10

And witnessed by you?---That's correct.

Right. Thank you. And just for completeness, you know, don't you, that change request 60 was associated with 61? ---I do.

They went through together, they raised related issues and they were approved in the same fashion?---Yes. 20

Thank you. If you turn to paragraph 66 of your statement, please. Do you have in mind in that paragraph the document which became change request 184?---I think that was 184. The numbers - - -

Merge?---(indistinct) over time, I'm sorry.

I'll show you it. It's volume 9, please. Would you open to 128 and you'll see, Mr Campbell, that you are identified in this document as the initiating officer. Then if you - - - 30

COMMISSIONER: Did you say 178?

MR DOYLE: I didn't. 128. And you'll see in section 2 where it lists the kind of changes. There's lots of 'yes' crossed?---Mm'hm.

And then if you look through it, it identifies, sort of, the history, the business reason for the change. Do you see that?---Yes. 40

The top of page 130, it's got - I'm not quite sure. You've got to go to the bottom, I'm sorry, 129 at section 6, consultation details. It identifies the consultation involving you and Mr Bird, and Mr Ray. Do you see that? ---Yes, I can.

And then it's got a contract variation table, which is to insert and delete certain things?---That's correct. 50

And just looking at what's to be in the insert, you'll see under "LATTICE Replacement Scope":

*The customer and contractor agree that the following items are out of scope and the contractor has no obligation to deliver out of scope items.*

1

And there's some things identified. Does that help identify this is the document you have in mind in paragraph 66?---I think that, yeah, the scope of deliverable is produced as is indicated there, and my recollection was that there wasn't extra payments.

10

Well, what's indicated there is that both IBM and CorpTech agree that items are out of scope. It's not expressed in terms of reducing things which were formally in scope to be no longer in scope?---Then cost allocation balance sheets were items that were current LATTICE - were in the LATTICE system. There was my - I can recall at the time there was lots of discussion around these three particular items and over a period of time the executives of Queensland Health decided that they could go forward without those three items included in that part of the report.

20

So there was a discussion about whether these things could be done without, essentially, and it was resolved that quickly?---That is how I understand it, yes.

So they would not be described, or at least your recollection is, they were not identified as the minimum functional requirements that had to be dealt with in the interim solution; they were things that could be dealt with later?---They were things that could be dealt with later.

30

Thank you. And then if we turn across to page 134, the amendments to the contract include amendments to the payment schedule?---Yes.

And that includes an amendment about the commencement of go live. Do you have that?---10 November 2009.

Yes. Plus there's an amendment to the acceptance criteria. Did you read that?---"No severity 1 or severity 2 defects as determined by the project board."

40

No, just against the go live, please. Acceptance by the project board?---Oh, sorry. Yes, I've read that.

Okay. So the effect of this page is to insert this - notionally, in effect, to insert this in the contract as an amendment to that part of the works that related to the performance of statement of work 8?---Yes.

50

And I see that you're the initiating person; does that mean you are responsible for the drafting of this document? ---No, I wouldn't have been, no.

What's the significance of you being the initiating officer, if any?--Yeah, I can't recall the chronology of this change request. It started out as a change request 183.

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Mr Campbell, please, I don't want to stop you but as long as you're answering the question, "What's the significance of you being the initiating officer"?---I can't answer that. I can't recall why I was the initiating officer at that time. Normally, it was - change requests were initiated by IBM and I have my recollection - perhaps Mr Bird may be able to - his recollection of that might be better than mine.

10

All right. would you turn to paragraph 74 now of your statement?---Yes.

Now, it says, "Around this time," would you mind telling me what time we're talking about?---This is the time that we were looking at the performance of IBM, so the time started in around August 2008 and continued through to March 2009. It was a series of activities to do with IBM's performance so as to contract and the options that we could take.

20

Good. If I suggested to you that where you say IBM delivered the outcomes of SOW 2, it should mean SOW 4? ---That's the forward planning?

That's the forward planning?---Yeah. Again, that was my recollection of numbers, so I accept that it was in fact 4.

30

And you know at least that by that time there had been a number of change requests that identified additional work to be performed and additional sums to be paid to IBM?---In relation to - there was - specifically around the statements of work that had already been agreed?

Yes?---Yes.

And part of statement of work - never mind. I'll move off that, thanks. In terms of the process of assessing any technical functional requirement that may be offered by IBM or may be said not to be offered by IBM, that's really outside of your field of experience?---It is, that's right.

40

And in terms of pricing those things, that too is outside your field of expertise?---It is, yes.

Right. Thank you. Can we ask you, then, you probably won't need your statement for this. In terms of testing of what's delivered, you were not involved directly in the testing of anything that was provided by IBM under the contract?---No.

50

And in terms of the technical understanding of what the testing produced that would be outside your field of expertise?---Yes. 1

You can recall that there was at least this contention being advanced that people were identifying as defects thing which IBM contended were not defects?---That is correct.

And were contending - IBM that is - that they were outside the functional requirements of those things which it had to provide?---That was what was being proposed at the time. 10

Part of what they were saying?---Yes.

And also they were saying in fact what were being identified as defects were not defects at all in some instances?---There was a series of discussions concerning defects and there was a point of disagreement between Queensland Health and IBM and I was asked to mediate that discussion. 20

Very good.

COMMISSIONER: But is it like that? If there had been a document which set out the business requirements for Queensland Health the payroll had to address - signed by both sides - would there have been room for this argument? ---No. 30

Was such a document ever produced? I mean - - - ?---That's what I state in my witness statement is that - I go back to the statement I made earlier this morning. In normal project management methodology, the customer would agree to a scope and then there would be a - for each item of scope or each business requirement there would be a functional definition or a functional requirement written, and a technical, and then that leads forward then to a user acceptance test. So it removes any contention around what is in scope and what is out of scope and that's what I would say that in the discussion - the mediation discussion that I just had that I was just referring to, when I asked to see the requirements traceability matrix, which is a standard project management tool, Mr Gower informed me that there wasn't one and to his credit, though, he did endeavour to retrofit some type of traceability matrix to make that discussion between IBM and Queensland Health more productive, but it was really after the event. If that matrix had been produced then issues around a defect - whether it was a requirement or not - would have largely been diminished. However, it still happens in projects where it's a case of interpretation in the customer thinks they're getting some requirement and during testing it's not delivered and that's a valid reason to execute a change request for more development work. 40 50

Mr Doyle, regardless of who should have produced it, is it agreed that there was no such document? 1

MR DOYLE: It is my understanding, which is the highest I can put it at present, that the document which defines the scope is the one I've taken you to.

COMMISSIONER: I thought that's what you were saying before. Yes. 10

MR DOYLE: Yes. So if that doesn't include the kind of thing that you have in mind and that Mr Campbell is speaking about, my present understanding is that there is no such one.

COMMISSIONER: All right, thank you.

MR DOYLE: Have you finished?

COMMISSIONER: Yes. 20

MR DOYLE: Thank you.

The absence of the kind of more detailed description gives rise to the capacity for people to have genuine different views as to whether something is or is not a requirement to be provided under a particular statement of work. Yes? ---Yes; and it happens in all projects.

Even with such a description it happens in projects?---It happens. The terminology that we would use is scope freeze in that as a customer you try to get as much out of your investment as possible and as a vendor you try to deliver what you think the customer wants. 30

So there's two - - - ?---Yes, there is, yes, but there's always that piece in the middle and it's the detailed documentation that allows that discussion to be as productive as it can. 40

You would recommend that the person from CorpTech who ultimately approves something which doesn't have that degree of specificity should have in fact asked for some more specificity?---That would be the Queensland Health project team not - - -

Okay?---It would have been either the project team or people on that project team that were representing the Solution Design Authority. 50

I just want to test your state of mind, if I can. In terms of your identifying back then what was or was not - whether what IBM was saying that it's outside scope or not would have involved you having to read the statements of works and the scope description documents in - - - ?---No, I

didn't. The discussion I participated in was that of a mediator. The knowledge of what was being required came from Queensland Health and the knowledge of what was being delivered came from IBM.

1

That probably is enough for these purposes?---Yes. And mine was just, "How do we resolve this? How do we move forward?"

You did not seek yourself to identify by looking at the documents who was right about those things?---No.

10

And you probably couldn't because it would be a technical question?---That is correct. What the recommendation or the outcome of that mediation process was to - if Queensland Health and IBM couldn't agree then there was provided for a means of escalation and that was then escalated to a program board where a decision was made.

You were shown in the course of your evidence before a document which is described as LATTICE Replacement Implementation Project Discussion Paper?---That's right.

20

Do you still have that?---I probably do, but - - -

Never mind. You'll recall it had the form where you gave examples of some defects?---Yes, that's right. There's about three or four at the bottom - in that paper. Yes.

I'm going to have to ask you to find it or be given it.

30

COMMISSIONER: It's exhibit 70.

MR DOYLE: Exhibit 70. Yes?---I have it.

Very good. If you turn to the first of the examples, which is the third-last sheet - - - ?---Mental Health allowance?

That will do. This is a document that you prepared?---Yes.

40

You prepared back in 2008 or - - - ?---2008. Yes.

- - - 2009. You will see under the heading Assessment there's words or next to the heading Assessment there's words. I take it they're your words?---No. These are Damon Atzeni's words.

Okay?---So there was - - -

No. That will do please?---Yes.

50

I just want to point out to you that each one of the examples you give - and if you look at all three of them - refer to what is not or what is within statement of work 5. Have a look at that. As best you can recall, these are examples of things which Mr Atzeni said were within

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statement of work 5 and someone from IBM was saying, "No, they're not"?---I can't recall. 1

The document - - - ?---I think it says here that it's set out within the scope of 5.

Yes?---Yes.

Doing the best you can, you had no reason to doubt that what is recorded here accurately described what Mr Atzeni was saying?---That's correct. I mean, I had - - - 10

Thank you?---As I was saying, this was just a selection of many.

Of course?---Why we picked these three, I really don't know. They were just randomly selected as examples.

Very good. Go to paragraph 82 of your statement please? ---There's too many papers here. 20

In the last sentence you refer to what you describe as, "A fundamental design error in the interface design between SAP and Workbrain." Can you tell me please what is the design error to which you refer?---The information that was given to me was to do with the protocol of the transfer of the files and that's as far as I can comment on.

Okay. I'll just - - - ?---I had no - as I said, as I've said a few times, the systems that I had worked on previously there is quite a lot of design work goes into interfaces. There are protocols that are put in place. 30

You may be saying more than I even - - - ?---No.

What you can recall or the most you can tell us is that there was something about the protocols for the interface between two systems?---That's how in interpreted the information that was being given to me. 40

Thank you. You've told us about there being no traceability matrix. You just mentioned that to the chairman. There is no contract deliverable that requires the production of a traceability matrix?---The requirement was that the project followed the Ascendant methodology and it would be - well, my understanding would be that there would be some provisions for some type of traceability within that methodology, but I can't comment on it.

Again, that'll do?---Yeah. 50

It was not a deliverable, it wasn't something that had to be provided by IBM to - - -?---It wasn't a contract deliverable, no, it's just a normal project management method. 1

One was ultimately, I think you've said to us, was produced, and you know, don't you, that Queensland Health rejected it, it said it didn't want to agree to such a thing because that might restrict in some way, or it was entitled to - - -?---I don't know. 10

Not aware of that?---No.

All right. Thank you. Finally, in respect of the ultimate go live, which was March 2010, the decision to go live was a decision made or approved at least by the program board? ---My recollection is the project board advised the program board to go live, yes.

And it's the program board who says yes?---That's right. 20

You're not on either the project board or the program board?---No.

Can you recall who the members of those respective boards were?---My recollection of the program board was under the PRINCE methodology that was used in CorpTech, there was an executive, which was Ms Margaret Marini, there was a senior supplier, who was Mr Doak from IBM, and Mr James Brown from CorpTech. And there would have been a senior user, which I think was Mr Kalimnios from Queensland Health, or it may have been Mr Shah. It would have been at that sort of level from those organisations. 30

And you say in your statement that each member of that board would have been aware of whatever problems there were with the system at the time, if any?---Yes.

So it was undoubtedly an informed decision to go live, you would have it?---The information that had been provided during user acceptance testing by KJ Ross, those reports were all available to the program board, as well as the risk assessment undertaken by Mr Burns. 40

Excuse me, please. Thank you, I have nothing further.

COMMISSIONER: Mr Horton?

MR HORTON: Yes, just briefly, Mr Commissioner. Mr Campbell, you were asked in relation to Workbrain some questions, and you said in response to one of the questions that some checks had been done internationally?---During the - - - 50

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CAMPBELL, M.A. XXN  
CAMPBELL, M.A. REXN

Sorry, I'll just ask you the question, I just wanted to remind you of that. Did you make those checks yourself? ---No, they were made by the evaluation teams.

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Thank you. Next topic: you were asked about change request 184, and it was pointed out to you that you are mentioned as the initiating officer. Now, do you remember that before change request 184 was brought into existence there was some protracted negotiations between IBM and the state?---Yes.

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And do you recall that there was a payment of \$9 million to be made by the state associated with the bringing into existence of change request 184?---I can recall those payments but the exact allocation of them, I can't recall.

Were you involved in those negotiations yourself?---Not that I can recall, no.

Is it possible - - -?---There were some - I did have a meeting that was chaired by Mr Kalimnios, I can recall being at the meeting but I can't recall the subject of that meeting.

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I understand. It was asked, in effect, why there was an initiating officer, or the point was made. Is it possible there was an initiating officer because it's the product of some negotiations which have been agreed between more senior people in your organisation and with senior people in IBM?---It may have been. The proposals that were in 184 - we did quite a detailed analysis of what was proposed in 183, I think it was at the time, and produced a paper, I think I put that in as an exhibit, and it was quite clear in what the change was, what the original contract issue was and what the variations of the contract was.

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Have you still got exhibit 70 there with you? It was your discussion paper?---On the - - -

I'm moving to another topic again, I'm sorry, just short topics. That discussion paper, can I draw your attention on sheet two, the papers aren't numbered, but for the first paragraph on sheet two to the words, "And subsequently implement and deploy these for Queensland Health's use under SOW 8." I ask you about this because Mr Doyle asked you about your examples as being ones which referred only to SOW 5. Does this explain this paragraph in part, at least, the relevance that those examples might have for SOW 8?---If we read that paragraph in total, it says that, "Statement of work 5 includes in appendix A priority HR scope, functionality awards for Queensland Health," that was originally in statement of work 5.

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And what I'm asking about - - -?---And they were to be deployed under statement of work 8, that was what the - - -

Yes, so Mr Doyle said to you that each of the examples you give in this discussion paper, the ones which seem referable only to SOW 5 - - -?---I see, yes. 1

- - - on their face, I'm asking you if the paragraph to which I've taken you makes them referable to SOW 8?---I would agree with that, yes.

Can I just point out something a bit further down on that same page, Mr Campbell, the second page, under "Principal 1", and it's the paragraph that, "The baseline for the Workbrain requirements is documented in the business blueprint version 0.9 document." Is that a document of the kind which has been mentioned in the course of your evidence by the commission or is perhaps a more detailed document of a scope in kind, or is that something separate?---I can't recall the exact nature of that business blueprint version 8.9, I'm sorry. 10

Thank you, Mr Campbell. That's the evidence of Mr Campbell. 20

COMMISSIONER: Yes. Mr Campbell, thank you for your assistance?---Thank you.

WITNESS WITHDREW

COMMISSIONER: Yes, Mr Horton.

MR HORTON: Mr Commissioner, the next witness is Christopher Robert Bird. I call him. 30

**BIRD, CHRISTOPHER ROBERT** sworn:

MR HORTON: You are Christopher Robert Bird, is that correct?---That's correct.

And you have prepared a statement for the purpose of this commission which you have dated and signed on 5 April 2013? ---That's correct. 40

And you have a copy there with you for the purposes of today?---I have.

I tender the original and the a copy.

COMMISSIONER: Mr Bird's statement is exhibit 73.

ADMITTED AND MARKED: "EXHIBIT 73" 50

MR HORTON: Mr Bird, you were a public servant employed by CorpTech as opposed to a contractor or consultant?---That's correct.

And you began work in March 2008?---That's correct.

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BIRD, C.R. XN

So at the time you started work there the contract is in place?---That's right. 1

You had the position originally of contracts manager within the vendor management group?---That's right.

And you reported to Mr Campbell and Mr Beeston, is that right?---That's correct.

And you've got experience and qualifications in law and as a legal practitioner?---That's right. 10

Both here and overseas?---Overseas, primarily.

Particular experience, you say, in information technology contracts?---And construction and general commercial.

Thank you. You say at paragraph 11 of your statement that your role was to, in effect, assist or manage the 2007 contract with IBM on behalf of the state?---That's right. 20

Including drafting variations and liaising with those other people who were involved, including Mr Swinson of Mallesons as legal advisor?---That's right.

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Now, you say at paragraph 16 that IBM's position was they hadn't priced for a position to manage the contract in the ITO?---That was the position. So originally I was dealing with Keith Pullen and I understand his position was he had come from managing the HRBS from an administrative prospective. The HRBS contract being the 2005 IBM contract with CorpTech. And then later on, I don't know whether it was because there was a lot of disputes happening, but he said they wanted to get a contracts manager in because his position was more on the administration side and less on the contract side, so they put forward a proposal. Well, Malcolm Campbell said, "Well, you need to have a contracts manager to manage your obligations," so we could liaise - because of some misunderstandings about the contract and they put forward a proposal to an additional payment of statement of work 2 for a commercial manager to come on board.

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Yes. So Mr Pullen wasn't a lawyer, to your knowledge?  
---No.

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And then - - -?---We weren't asking for a lawyer, just a contracts manager.

Yes. And a person comes on, you say, under statement of work 2 as a contracts manager from the IBM side of things?  
---That's right, yeah.

Was that an additional - was that a variation to the contract - - -?---Yes.

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- - - or additional payment - - -?---Yes.

- - - for which the state paid IBM. Is that correct?  
---Yes.

Is that something which ordinarily one would expect a vendor to have in place as part of the contractual offering?---One would have thought so from the outset that somewhere in the fixed price they would cover off that, but - - -

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Now, you say - I'm sorry?---Sorry. A very complex contract like this, you would think so.

Where otherwise does the communication between the two parties happen in contracts of this kind at that level?  
---We would have - obviously John Beeston would liaise at a much higher level with people (indistinct) he would set up the executive steering committee with people like Mike Bernheim, Stan Sielaff, Barbara Perrott.

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I was really meaning in contracts generally where the interaction happens - that was happening between you and Mr Pullen?---Mm'hm.

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Where would that happen?---They were on the same floor, the program office just - was just around the corner from us, so - - - 1

Can I take you to paragraph 18 of your statement. You say IBM was, in your view, in default of the contract early on? ---That's right.

In what respect do you say that's the case?---Basically, it came down to a misinterpretation of the acceptance process, so essentially IBM were submitting - so under the contract you would have, say, in the statement of work, a milestone date, deliverables, certain deliverables defined to be accepted by the milestone date. The milestone and deliverables for acceptance under the contract where time was of the essence applied to those, to milestones and deliverables, and basically there was then the acceptance process, which was annunciated in one of the schedules, and that - so the process was that IBM would submit any contract deliverables for acceptance to the solution design authority or the strategic program office, and then they have basically five days within which to accept the deliverable if there was no response back to IBM whether it was acceptable or not, then by default it was accepted. So we obviously in order to manage our obligations as the customer, you know, we had to deal with the SDA to ensure, so we kept rigorous details of when deliverables were due under the milestone dates and go chase up and make sure that the SDA were ready to accept those deliverables. So what happened was IBM was actually submitting on the milestone date by which the deliverables should have been accepted; whereas, the contract allowed for five days for the acceptance process, so when they submitted the deliverables for acceptance, they really needed another five days and it wasn't accepted, it was submitted on the date by which the contract required them to be accepted by. 10 20 30

Yes. So the misinterpretation on your view was on whose side of the equation, the state's or IBM's?---IBM's, so I wrote to Paul Hickey, pointing this out to him and my recollection is he ignored it and later on I went and sat down, I said, "Well, because of this, the issue is your at-risk payments are at risk," essentially. 40

So you've heard some evidence this morning, I think you were in the commission for it, but there was some debate about the delivery and acceptance concerning the scope under statement of work 8?---Right.

And you heard the evidence of - - -?---Yes. 50

- - - and you heard Mr Campbell say this afternoon that there was a - - -?---Yes.

- - - phrase in the effect that it's been delivered and there's been no response. Is that an example where there

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would be deemed acceptance on your understanding of the matter?---If it was - so, yes, that would have been a deliverable, say, under statement of work 7, and then, yeah, if there's no response back, then deemed acceptance, or it could be that they didn't attend workshops, for instance.

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Now, I understand you started in March 2008, but did you have any knowledge as at that time that there was an agreed scope in place under SOW 8 which provided definition to the necessary extent, maybe a particular extent as to what was to be done as part of the statement of work 8 project? ---Not when I first arrived. Obviously I had to get - there was a lot of things going on so it took me a while obviously in order to get the contract, but we originally relied on the solution design authority for driving the solution and the expectation was that they were happy with all of the documentation and they drove the solution to make sure that IBM was delivering to the required scope.

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Did you ever see a scope of a detailed kind which set out in particular what had to be done in the Queensland Health payroll interim roll out?---Not in the early stages, it wouldn't have been of interest to me, but it was only of interest to me in early 2009 when there was a lot of disputes ongoing and we essentially - there was obviously issues over defects. I worked with John Beeston, Queensland Health to identify what was a defect. I remember, I think, Adrian Shea emailed John Beeston at one stage, saying, "We don't want to argument about that." It was a variation which, I think, on 27 April, around that time, for about \$100,000 for IBM to fix a lot of defects, but we processed them, but nobody could put their hand on their heart and actually say, "Is it a defect, is it a business requirement?" You know, "Is it original scope? Is it new requirements?" It just wasn't the project documentation.

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That's really the focus of my question. When one came to that exercise, what was the bench mark or the test against which - the document against which one would assess whether this was indeed a defect or change within scope?---Nobody knew because what we were finding was so Malcolm Campbell and myself had a meeting with Paul Ray and John Gower in early 2009, and Malcolm was whiteboarding it and the penny suddenly dropped about this responsibility matrix for the documents and what, after pushing IBM, Paul Hickey or Tony Price, I think, may have sent an email to me with a zip file saying, "Bad version file," I think it was, or 0.5. And those documents wouldn't relate back to the documents that were accepted through the contract process, so, well, you're the prime contractor, the expectation is the acceptance of the deliverables back in 2008, for instance, about what the scope is, would be what they were building the solution to. There was some bad documents,

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business attributes, design documents that have not been signed off by the customer and didn't relate - there was no correlation with what was being put through the formal contract process and obviously Health had issues, obviously - well, and they haven't had those signed off. So eventually the penny dropped for IBM and they wanted to rewrite history, so they wouldn't sign off CCD 183 or 184 during the negotiations unless they could actually re-baseline the project, so they could then relive that process. It should have been done properly back in 2008 and I think basically they call them work products rather than deliverables and work products build up to a deliverable, a contract deliverable for acceptance, and really a lot of those scope documents or design documents, or whatever you want - terminology you want to use, didn't get accepted by the customer. Some of them probably not until 2010.

Yes. So when it comes to change request 184, that's the change request that you say revisits or reviews history? ---Rewrites history.

Rewrites history. It had attached to it a scope clarification?---Mm'hm.

And you recall the scope clarification document?---Yes. I worked with Jane Stewart and a lot of the other guys to - her team in order to agree to that document.

Yes. So that document appears to be less detailed than the QHIC scope definition document, which has been in selective evidence this morning. Are you familiar with that QHIC scope definition document?---I wouldn't have really read it. I think I recall vaguely that as we were going through this process, okay, there was the back documents and then there was some confusion. The expectation was that a deliverable that gets accepted by that gets incorporated into the next statement of work and there was different versions, so there was a version 0.12; there was another version that was referenced in the project execution plan, so it was very hard to determine what the scope was, what was actually defined in the project documents.

And the scope clarification annexed to change request 184: is it in your view or experience of the necessary depth and details, specificity, that one would expect at that time in a project of this kind?---There was a lot of disputes going on at the time and I think frustrations had taken - after no go decision for the condition precedent in December, we then either should have breached IBM or given them an extension of time and then if the project had been run with the right project methodology all the documents would have been pre-agreed and signed off. It was just a simple extension of time, but obviously that wasn't the case. So there were a lot of arguments between IBM, attended meetings with Terry Burns and Queensland Health and IBM in order to get a way forward, essentially, and that culminated in 184, which was, you know, in my view was just a compromise. It started off, "We're going to give them \$5 million." I had a draft breach notice ready with John Swinson. I wrote to James Brown saying, "We're not getting anywhere. They want to rewrite history because of these issues with the project documentation. Here's this document that we have - this breach notice that we've had prepared," which James hadn't looked at back in March when I first broached the subject with him and the instruction came back that, "Just pay them another \$4 million." It was essentially either use the breach to try and negotiate a better leverage - from my perspective, it was this is reputational damage, even if we were to continue, issue a notice to remedy, get these documents re-baselined without paying them lots of money and giving them an extension of time and then move forward with the project, but we could never issue that breach notice.

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We'll come back to that in a moment. When you say \$4 million paid, that's the CorpTech contribution. The total fee paid to IBM in connection with 184 is (indistinct) is that correct?---That's right.

And Queensland Health contributed, what 5 million, is that right, to the pool?---I don't know who contributed what. Basically, from that point forward, essentially, the contract management was done at the project level, you know, the scoping, the understanding of the pricing, you know, what were you paying for that amount of money. I couldn't say what it was for.

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Yes. The condition precedent which you've heard about this morning was contained in earlier change requests and I think you had a role to play in preparing or asserting that condition precedent?---Yes.

There were some enclosures with which IBM had to comply with some test criteria. Are you familiar with those? ---That's right. I'm familiar in the sense that I worked with Shaurin Shah in Health in order to incorporate those into the document.

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So when you talk about a breach or potential breach in this period before 184, is a breach in your view in what sense by IBM?---Okay. So originally, we knew that we weren't going to meet the condition precedent. There was a bit of a meeting and Health wanted to continue. Some people in CorpTech said, "No, they hadn't met it." My understanding would have been that we'd given them the chance to show that they had a workable solution and essentially there had been a breach position. We could just terminate the convenience and it goes off - because, basically, Terry Burns had told me earlier that they had a plan B and it had to be enacted in early 2009. So the strategy essentially was IBM needed a bit more time in order to show that it would work. They said, "We're nearly there," so we said, "Okay. Well, here we've got a delay notice and argument over who's responsible for the delays or not," and Peter Douglas, who was - you know, it's a hard decision for us to make. Do we pull the pin now or can we buy some more time and not set the time at large and downgrade the - take the breach off the table. It got to December 2008. It didn't happen. They were obviously - and then over time because we just continued, time just sat at large and then there was the advice from John Swinson, I think, back in March that basically said, "Here are these various options," and, you know, anybody that reads that, you know, it's unpalatable. So time sat at large. You know, time is of the essence. If you take three months in order to make the decision, time sat at large, clearly termination was off the table. But then when Malcolm and I had that conversation with John Gower and Paul Ray about project documentation, how did it read and the issues with that, that was then our ability - that asserted a breach position in the sense that, you know, these documents should have been signed off.

Let me stop you talking there for a minute. I want to ask about a couple of things. One is you said they hadn't met the condition precedent, but in what respect do you say IBM had not met the condition precedent? What was the particular failure that was - - - ?---I was told by Malcolm Campbell and John Beeston, but basically the pay run window was too tight. Terry Burns emailed me about 10 December and said, "I think they pretty much knew that they weren't going to meet the objective task, but they were happy to continue," and there was a bit of dialogue about, "We don't want you to pay IBM if we decide you want to move forward with a compromise solution."

So that type of alleged failure is one which is a deficiency in compliance with the payroll performance testing, one of the enclosures to the condition precedent? ---That's right.

That was, what - how far away was IBM from the target - the time, I think, that pay run had to run in a certain period of time and it was, you say, short of that or longer

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than - - - ?---From what I was told - I don't have a technical background - that CorpTech representatives who sat at the decision table believed that that wasn't met and Health said that the representative said they were nearly there. They were going to meet it, but my understanding is in general terms, but I wouldn't really know - is that the pay run window was too tight for Queensland Health.

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Notwithstanding that, 184 is brought into existence and the negotiations ensue as part of that and the matter is, in effect, settled, I think, on a commercial basis with a payment?---Yes.

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Can I take you back just a step before that. You've been speaking of dealings with Mr Swinson and some draft notices and so forth. You were involved, I think, in dealing with Mr Swinson to have those prepared?---Yes.

You've mentioned having him prepare, I think, some draft documents in March?---Yes. August we were up there with him for a number of disputes. We were up there for preparation of a letter that was to be sent in December, which asserted that IBM were in breach, but we had to take the word "breach" out so - - -

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Why did you have to do that?---James Brown said it was positively volcanic.

All right. He said it to you?---Yes.

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When about - - - ?---And John Beeston and Malcolm Campbell. Yes.

When did he say this to you?---It would have been late - mid to late December.

Yes. 2008?---2008.

Had that letter been drafted or settled in consultation with Mr Swinson?---Yes.

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Did that letter ever go to IBM?---Not that I'm aware of. A variant, I'm sure, went to him, but taking out - it was too aggressive to - - -

Yes. Did Mr Brown express the view as his or did he express the view as having come from people he had consulted, perhaps managers of his?---As far as I can recollect, it was his view.

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Can I show you a document. It's a draft notice to remedy with an attached document Details of Breaches. I want to ask whether this is a document that you recognise?---Yes, it is.

Can you tell us when was it brought into existence?---If it  
mentions the project documentation, which I think it does,  
it would have been a draft which would have been, I think,  
around about March, late March. This was when we were  
having conversations with James Brown and Malcolm that  
basically we've got this breach notice ready to go and he  
said, "Too much water under the bridge. Health and  
CorpTech senior management have decided to pay IBM some  
more money." So I emailed John Swinson to cease the final  
draft and he gave me a copy of this, but basically asked me  
not to send it on to anyone because it was a draft.

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So that's a document which we can roughly date, at least, by reference to 30 March draft briefing note which Mr Swinson prepared, 30 March 2009?---It was the one that I emailed James Brown in April, late April, because it's the same one.

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Thank you. And did you assist in its preparation?---Yes.

I tender that notice, Mr Commissioner.

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COMMISSIONER: Yes, the draft notice is exhibit 74.

ADMITTED AND MARKED: "EXHIBIT 74"

MR HORTON: Thank you. You mention at paragraph 35 and following "Forward Planning" as the general topic?---Yes.

And that's something which IBM was to undertake as part of SOW 4?---Yes.

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And that results in IBM ultimately expressing a view about what completion of all the other proposed stages in program in general - - -?---Yes.

- - - would cost? You say at paragraph 36, in meetings you attended there was some IBM representatives, and you mentioned a Ms Brooke Freeman and Ms Ann Cho, C-h-o?---Yes.

You express a view, one of them anyway had expressed, that why you couldn't just go back and ask for more money. In what context did that discussion arise?---Well, I think they were surprised that we would just kill the project.

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By "them", who do you mean?---IBM were surprised that - I think the expectation was that, yes, it cost more money, we've, you know, underestimated the complexity, can't just go and put a brief up (indistinct) and get some more money.

Were the words "underestimate the complexity" words which were spoken by an IBM representative at this meeting?---No, I think it was in the press.

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Do you remember which of Ms Freeman or Ms Cho said the words to you, why you couldn't just go back and ask for more money to continue?---I would think by this type of meeting it would have been Ms Brooke Freeman, because Ann Cho was more sort of managing more of the - one of the statements of work educating project people, whereas Ms Brook Freeman was more on the business development contracting side.

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I understand in your evidence you're saying one of the women said it you're just not completely sure which, but it was definitely one of them at this meeting?---I would say on the balance of probabilities it was Ms Freeman.

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Thank you. Could I take you please, Mr Bird, for the purpose of just clarifying an email or two, to volume 7 of the bundle, page 300. This relates, Mr Bird, to paragraph 43 of your statement where you refer to an email from Terry Burns?---Yes.

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Can I just get you to glimpse at page 300 and 301, I'm going to show you an email which I'm going to suggest to you is the end of the email stream, which is the email to which I think you're referring?---Sorry, what part of my statement?

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At paragraph 43, you mention receiving an email from Terry Burns about 10 December - - -?---Yes.

- - - in which he says, "No payment should be made"?---So the email is actually dated - the one that he just sent me - he actually mentions the word "compromised", so it might have been around about 11 December not 10 December.

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Can you see the email to which you're referring there? "Payment is forfeited in full," for example, he says in page 302 as part of the email stream?---Yes.

Is that the email to which you're referring?---Yes.

If you're content with that we can move on, but are you content that's the email to which you're referring?---I'm just trying to find the word "compromised".

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Can I hand you another email, Mr Bird, in case it's the email you're looking for?---Yes. 11 December, from Terry Burns to John Beeston CC'ing myself.

11 December 2008, at 11.44 am?---That's right. But I think from the email trial my recollection was: we don't want to pay them, and then the day later he said the compromised bit.

I don't think that email is in bundle, can I just get you to identify my copy and then I'll tender it for inclusion if it's the right email. Yes, I'd seek to tender that, but, Mr Commissioner, it might be more convenient to include it as a page 299-1 or something of the bundle - - -

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COMMISSIONER: Yes, I think that'd be right.

MR HORTON: - - - as it seems to follow.

COMMISSIONER: Rather than making it an exhibit, you might just add it to the bundle.

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MR HORTON: We will, thank you, Mr Commissioner.

COMMISSIONER: Can I see that please, Madam Associate?

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MR HORTON: Mr Bird, I don't need to take you further in that volume, but I will get you to turn to paragraph 47 of your statement, a 15 page draft breach notice nearly ready at the end of March?---Yes.

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Again, is that the breach notice which I've tendered through you today?---If that was the one that was attached to my email to James Brown on 21 April, then that's the one.

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I don't know that it is but I'm just really asking that question. Is that most likely the - - -?---Yes.

- - - notice? It was? Thank you. Can I take you, please, to paragraph 55? You mention there in an email you've produced Mr Beeston instructs you to process ambiguous change requests?---That's right.

Then you talk about, in effect, a problem with clarity, you're unsure whether they were project changes, defects or actual contract scope changes?---That's right.

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Can I get you to please have a look at this document? ---Yes, that's right.

Is that the email which you're referring to?---Yes.

Paragraphs 55 and 56?---That's right.

Thank you. Would you just state, please, the date of the email that I just handed to you?---The date of that email was Friday, 19 September 2008.

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Yes, at 4.11 pm. I'd seek to tender that.

COMMISSIONER: Can that go in the bundle too, would that be a convenient place for it, or do you want to put it in separately?

MR HORTON: No, it should go in the bundle, if that's convenient for you, Mr Commissioner.

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COMMISSIONER: Yes.

MR HORTON: We'll do that. Mr Bird, you talk in your statement about some problematic changes with the contract, and you mention, for example - someone mentioned - but also change request 60 and 61?---That's right.

In a general sense, if you're able to, what was the difficulty you had with change request 60 and 61, which have been the subject of some evidence today?---The difficulties, I wouldn't really understand, as Malcolm sort of announced from a scope perspective, but my concern was that I was instructed by John Beeston to ensure that I had

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viewed that document before it went to Barbara Perrott. She was off site, there was some urgency about processing it, so I had my staff, Darren Beatie and Louise Cicconi, ready to get that document from IBM so that we could review it quickly and then send it down to Barbara off site to get it processed.

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And did you review it?---No, never. So it was - I think it was either Louise Ciccone or Darren Beatie, so I went round and Paul Hickey pulled it off the printer and ran it down, said, "No, I'll get this processed." So we never had a chance to actually get it reviewed.

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Did you have, normally, access to the change requests before they were formalised by the state's - - -?---All the time. That was - that's the process, is either it was initiated as a change request from the SDA through the SPO, because it was a - the change control process talks about, you know, who the initiator is. And IBM also had the right to initiate. It would come to our office, we would review it to ensure the understanding was correct and that we weren't signing up to something that we shouldn't, and 60 or 61, I can't remember which one it was, that actually had a statement in there which I raised with John Swinson later on as a risk because, on the reading of it, I really did not understand what the intention of that document was and there was some statement that Queensland Health would have risk to the solution, to me, that could - I certainly never agreed to a statement like that.

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Yes. And to your knowledge, had Queensland Health agreed to that statement? I think it's in change request 61 but - - -?---I don't know, but I wouldn't have thought so. I wouldn't have thought that was something that they would reasonably accept - - -

And you said there was - - -?--- - - - because it was too ambiguous.

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You said there was urgency. What was the basis for the urgency?---There was always a sense of urgency. I think IBM would always say, "We're working at risk." And basically, if we're working at risk, we have to send our staff back, so there was always from day 1 that I walked into this project, were working at risk - IBM's working at risk, you've got to sign up to something. So there was a lot of little statements of work that will get signed off in order to keep IBM teams driving revenue and so that they weren't being seen by IBM internal to be working at risk.

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Was there a particular urgency, though, did you sense, in the case of change request 60 and 61 as compared to the others in general?---I just assumed they're the same working at risk, well, you know, we can't - they would not do any work so they would say, "We won't work at risk," so perhaps the Queensland Health wanted these interfaces or whatever it was that they were signing up to, and that wouldn't happen unless they were paid.

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Can I take you, please, to the heading in your statement above paragraph 60, defect severity redefinition?---Yes.

You mentioned here severity 2 defects. Now, they were classed as major defects under the system testing?---In general, 1s and 2s were major defects. 1

Yes. And in the initial test plan, I think, were you familiar with the initial test plan which defines what it is to be a severity 2?---Only - all that I understood was the definitions were in - I think it was schedule 26 that defining - was a table in there with "what is a sev 1", "what is a sev 2", "3" and "4". 10

Yes?---And what was to happen further down once it was defined.

Yes. So I think you say here in 63, "In the course of testing," I presume you mean user acceptance testing. Is that right?---Yes.

That a lot of severity defects were showing up before go live. That's in 63?---Yes. 20

The criteria of the contract was never amended to allow acceptance of the system with severity 2 defects?---Yes.

And then there was discussion or you had discussion there of a breach notice being issued or potentially being issued. Did you - were you involved in the drafting of a breach notice?---I would have been involved in all of the drafting. 30

Yes. Was one issued in that regard?---No. I think about November 2009 and then later on in early 2010 there was a couple of emails that were received - Bill Doak had told me in November verbally that it was agreed that severity 2 defects were acceptable to the project, so I confirmed this with, I think, Malcolm and James Brown. James Brown writes back and said, "No, that was never agreed. Sev 1s and sev 2s are not acceptable." So they were trying to have a change request actually right out to - I think it was milestone 44 and CC 184, which had the definitions for cut over, that there should be no severity 1s or 2s. And then later on in 2010, they (indistinct) to amend it again. 40

Yes. But at the end it does seem that the change request 184 in the scope of clarification maintains the line that there are to be no severity 1s and no severity 2s - - -?---That's correct.

- - - in order to proceed?---And that was used in the breach notice that we developed after go live. 50

Yes. Now, that's in order to come into user acceptance testing and to go out, there must be none of these types of defects - - -?---That's right.

- - - is that correct? Two things I want to suggest to you 1  
occurred; one was - and I think you refer to it in your  
statement - there's a downgrading of some severity 2  
defects to be category 3 rather than category 2. Are you  
aware of that happening?---Only through what was happening,  
so Malcolm was showing me the K.J. Ross reports and they  
were - and I said, "Well, how are they moving forward with  
all of these defects in existence?" And he told me that  
there was some reclassification or that they would bundle 10  
them and basically say, "Well, we're not going to camp  
those. We'll deal with those after go live," for instance.  
So some weren't even encountered.

And then it seems at the end of user acceptance testing,  
and I think the K.J. Ross report is 27 January 2010, and I  
think this is what you're referring to at paragraph 66, the  
criteria seems to be changed but at this stage is that  
you're understanding?---That's right, that there was an  
agreement in the cut over document that was signed off by  
Adrian Shea. 20

I'll take you to it, if that's all right. Volume 14,  
please, miss associate, at page 47?---Sorry, which page?

I'm going to take you to 47 and ask you whether that page  
is the page to which you're making reference when you speak  
of the things in paragraph 66 as amended criteria and a  
traffic light?---Sorry, page 40?

47?---47. 30

And it's the last row in that table that I'm going to  
suggest to you is the amended criteria to which you're  
making reference. So deliverable 44?---Yes.

No severity 1 defects and comprehensive management plan for  
2, 3 and 4?---That's what IBM wanted me to put into the  
contract in November 2009 and early 2010.

Yes. And did you do it back then?---No. 40

And so where, to your knowledge, was the contractual source  
or otherwise of this additional amended criteria via  
deliverable 44?---I'm not aware that it ever was - that was  
the reason we relied on it in a breach notice to IBM later  
on in 2010.

Yes. But it was on that basis that a status traffic light,  
I think, as you referred to it, green is given. Is that  
your understanding?---Yes. 50

On that basis, this document permitted and that assessment  
permitted the system to proceed into cut over, which is one  
of the steps towards the go live decision made in the next  
month in March?---That's right. But not from a contractual  
perspective.

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BIRD, C.R. XN

Thank you. That's the evidence from counsel assisting's perspective of this witness, Mr Commissioner. 1

COMMISSIONER: Mr Kent?

MR KENT: Just for a moment, Mr Bird, you've told us about how you were involved, I think, in drafting at least one breach notice?---I think three, from recollection.

Three? And the contract management team that you were part of, that included Mr Campbell?---Yes. 10

And Mr Beeston?---Yes.

Is it fair to say as an overview of this that this was the contract management team's view of how to manage problems with IBM that had escalated over time, how to get their attention, in a sense, with a breach notice on one issue or another?---Yes. 20

Hopefully to negotiate a better outcome for the customer through that process?---Yes. Well, my view was: if you don't, you essentially lose the right to enact some contract provisions. So in order to keep the contract on foot and not waive the state's position, you needed to be seen to be managing the contract to its agreed terms. 30

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And without doing that, there's the risk of it being ignored to some extent?---Certainly time at large, yes, time is no longer of the essence; not being able to issue breach notices for serious breaches, so on and so forth.

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And, again, by way of an overall comment, but I hope not too vague a one, but further up the line Mr Brown and others that he consulted with had less appetite for delivering a breach notice. Is that a fair summary of it? ---I never knew who James Brown was consulting with. The information would come from him, but certainly after go live he told me that there was no appetite to pursue IBM.

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Going back a bit further to early 2009, you were aware, weren't you, of discussions along this line: IBM had indicated that if that kind of action was taken - and a phrase that you might have heard - if CorpTech went legal about it, then IBM might walk off the job?---Yes.

Did you take that kind of indication seriously?---Not at all because that would be extremely damaging to IBM and IBM's reputation and would establish a very strong breach position which would damage their chances in litigation, I would have thought.

20

But as far as you're aware, did others take it a bit more seriously than you did?---I'm not aware of the conversations that took place at that time.

Did you discuss it at all with Mr Swinson?---Yes. I would imagine I would have discussed it.

30

All right. Yes, I won't take that any further. Yes, nothing further. Thank you.

COMMISSIONER: Yes, thank you. Mr Traves?

MR TRAVES: No questions. Thank you.

COMMISSIONER: Mr Ambrose?

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MR AMBROSE: No questions.

COMMISSIONER: Mr Doyle?

MR DOYLE: Yes, Mr Commissioner.

Mr Bird, if we start please with paragraph - I think it's 18 of your statement where you deal with the question of delay and you've told Mr Horton that an issue was your understanding of a misconception by IBM of the contractual milestone dates?---Yes.

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Is it a fair summary to say your view was that the contract required acceptance to be affected by the milestone date? ---Yes.

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BIRD, C.R. XXN

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Whereas the IBM view, as you understood it, was that it required delivery by the milestone date - - - ?---Yes. 1

- - - given if acceptance took place subsequently?---Yes.

That's the controversy?---Yes.

Which will be resolved by looking at the contract and seeing what it in fact says?---Yes. 10

Very good. Tell me if you can answer this, but you understand, don't you, or you do understand that the capacity of IBM in many instances to deliver a deliverable was dependent upon the cooperation of agencies?---Yes.

And CorpTech?---Yes.

The provision of information and whatever else may be required?---That's right. 20

Thank you. You certainly recall that throughout the time you were involved with the project, one of the things that was being said by IBM was that people were slow in giving information. Yes?---Mm'hm.

Were not giving it cooperation?---Yes.

And that that was in part contributing to the difficulty of the job for IBM and the lack of timeliness of the job? ---Yes. 30

That was true?---So my issue with that was that they wouldn't follow the delay procedure. So, essentially, from our perspective if you don't follow the delay procedure it has ramifications for time being of the essence. There was also a statement in there that no payment was to be made unless the delay process was followed and it never was followed as per the contract. So my issue was when we did pay for all of these extensions of time there was never any due diligence involved as far as who was responsible for the delay, so no recautioning. From my perspective, it was protecting IBM's position as a prime contractor in managing the program and the project with all of these customer obligations and also IBM. So my understanding was a delay notice would be issued early on and you could then manage obviously who was responsible for that delay. 40

So that we're clear about it, it was certainly the case that the things I've said to you that were being said by IBM were being said by IBM back then that it required cooperation and there was delay in the provision of information and so on?---Yes. 50

You would say that there was a regime for the extensions of time to be sought under the contract by some delay process? ---Yes, under the schedule of delay procedure.

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BIRD, C.R. XXN

And if that wasn't followed you would say no extensions could be granted?---That's right. 1

You would say, therefore, there's a breach by IBM, even if the cause was lack of cooperation of an agency and so on? ---That's right.

Sorry. I understand. That was your state of mind back in 2008, 2009 and earl 2010?---Yes. 10

It would be - and this is not meant to be a pejorative observation - you would be saying strict compliance with the process which was prescribed by the contract?---I would say at least start the process.

Engagement in the process?---Yes.

You would say that your recollection is that wasn't done? ---That's right. 20

Thank you. You also refer - we'll go to the detail if we need to - to there being disputes about - a variety of disputes about contract performance?---Yes. 30

One aspect of that was the question of whether something which was being asked for or asserted by the agency is something to which they're entitled was being contended by IBM to be something which was outside the scope of what they were contracting to provide, so a question about what was or wasn't within scope?---You know, what was the defect, what was the new requirement, what's the new scope. 30

Right. Either being asserted by someone that it was a defect and IBM contending, no, it's a new thing outside scope - - - ?---Yes.

- - - or someone saying, "You've got to do something," and IBM saying, "No, it's outside scope." That topic was a common occurrence - - - ?---Yes. 40

- - - throughout the progress of this contract. To resolve those questions, one would need to look at - again, in the contractual documents, the statements of work and the description in them of what was to be provided?---Yes.

And compare that with what particular issue was being raised?---Yes.

In terms of the understanding of the content of the statements of work, the technical aspects of that, that would be something outside your expertise?---Yes. 50

Okay?---So John Beeston would work with the technical experts to identify that.

So the kind of question whether something was a defect or an additional functional requirement was something which would generally, if not entirely, be determined by looking at the contracts, but having regard to their technical descriptions?---If there was a document there that you can refer to.

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And if there wasn't, it would make the dispute about that even broader?---If that document was supposed to be in existence.

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Very good. Thank you. I want to ask you about one of those changes and that is the events leading to change request 60?---Yes.

You've been asked some questions about it today. I want to know just simply whether you can recall there was - sorry, I'll start again. You know that statement of work 7 required IBM to bring into existence something to define the scope of the interim LATTICE replacement system? ---Having heard what was said this morning, yes.

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So that we should understand, that's not something that you had understood before this morning?---Not that I would recall because there was a lot of information I haven't refreshed my memory on statements of work.

You know, don't you, that change requests 60 and 61 at least concerned with aspects of the interim LATTICE replacement?---Yes.

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We should understand then that you can't say now whether those documents enlarge the scope of things or reduce the scope of things which had before they were executed been required of IBM?---Not off the top of my head. No.

Not at all?---Or at all.

You head this morning then about the QHIC scope document which was produced or a version of which was produced in January 2008?---Yes.

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You've not reviewed that before today?---No. There was just general discussions leading up to CR 184. I certainly wouldn't have read it word for word because it wasn't my area of expertise.

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All right. So one should understand in producing whatever you produced about whatever involvement you had in identifying defects, if they are defects which have anything to do with the operation of LATTICE, the IBM performance of its work for LATTICE, it is an involvement which you engaged in without checking the content of that QHIC scope document?---I would have engaged with the technical experts to give me their opinion in order to formulate a change request or whatever it was that was being proposed. 10

Do you recall doing that?---Yes, with Jane Stewart on our team. Sorry, this is in 2009, leading up to (indistinct)

And you recall in doing that they had regard to the QHIC scope document to which I've referred?---I recall that there were two different versions of the scope document and one was referenced in statement of work 8 and then there was another one, I don't know whether that was the deliverable that was accepted so there was some discussion as to which one was the scope document. 20

Do you still have volume 9 with you? Can you have volume 9 with you, please? Could you open it, please, at page 128? ---Yes.

This is change request 184, do you see that?---Yes.

You've given us some evidence about the events leading up to change request 184?---Yes. 30

I take it, then, that you read this document contemporaneously, that is, back in 2009?---Yes.

If you turn to page 130, at the very bottom of the text you'll see it says:

*The scope of IBM, the contractor's services and deliverables proposed under these statement of works is defined within the deliverables QHIC proposed scope definition version 1 and clarified in the document which is attached to this.* 40

---Yes.

So when you read that, did you ask someone to show you QHIC project scope definition version 1?---We would have had copies of that document, that would have been circulated to Jane Stewart's team, and there was a lot of toing and frowing between IBM and the - - - 50

I understand. I've asked you a simple question: did you ask someone to show you that document?---Version 1.0?

Yes?---We would have got a copy of it, yes.

Okay. So yes, you did?---Yes. 1

And someone showed it to you as being the document which is referred to in change request 184?---Yes.

And then, as you know, as you've been shown I think by Mr Horton, there was some changes effected to that by this document?---Yes.

There was no doubt in your mind that there was, therefore, a document which is QHIC project scope definition version 1.0 which you were able to access from CorpTech's - - -? ---Which was a high-level scope document, yes. 10

Thank you. Whilst we're on this document, would you turn across, please, to page 134?---Yes.

You understand that the form which change requests are prepared often include effecting variations to the contract terms?---Yes. 20

And this is one of those - - -?---Yes.

- - - in which some things are inserted into the contract? ---Yes.

To operate as a variation of it?---Yes.

You read this, I take it, back I June 2009?---Yes. 30

I take it that extends to reading the reference to the milestone phase commence go live?---Yes.

And the identification of the deliverable included by serial number acceptance criteria, which appears next to that entry in the column?---Sorry, which - - -

The words:

*Acceptance by the project board that all defects that prevent Queensland Health employees being paid correctly within the agreed processing window have been corrected. Any workarounds or defects that remain unresolved prior to commencement of go live will only be those agreed by the customer and subject to a comprehensive management plan being presented.* 40

Those words?---Yes.

All right. Those words, so that we understand it, are to effect a variation to the contract about the acceptance, if you like, criteria for commencement of go live?---That's right. 50

And there was in fact, wasn't there, a comprehensive management plan produced?---I would hope so, I never saw it.

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You never?---No.

Paragraph 66 of your statement says:

*There is also a document, QHIC approval board meeting, 1 February 2010, it shows how severity 2 has become acceptable with a comprehensive management plan.*

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Is that right?---Yes.

We know that there was such a document?---I would have assumed so if that's what they're saying.

But should we understand you've never seen it?---No.

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Okay. All right?---So what I was talking about was the acceptance criteria for number 44 was the definition of no severity 1s and 2s, so you have the prior commence go live, but where the breach note is related to was the definition of the acceptance for number 44.

I mean, you're a lawyer, you've told us about your understanding of the contract?---Yes.

By this document, change request 184, there is an amendment made to the contract that the commence go live in terms which do not refer to the severity criteria, severity 1, 2, 3 or 4, but rather refer to some things in a qualitative sense with other defects to be dealt with, if agreed by the customer, by a comprehensive management plan?---But that go live report refers to number 44, which is the amended criteria for 44 not milestone commence go live criteria.

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Can we just concentrate on the commence go live question? ---Yes.

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The effect of this is to introduce a different regime to that which preceded it under the contract for the commencement of go live. Will you agree with that?---No, because 44 is defined here, had that acceptance criteria of no severity 1s or 2s, that's when that was first incorporated.

All right. So is it your view, then, of this document that the project board is not able to accept, having regard to defects which don't prevent Queensland Health employees being paid et cetera, and with other workarounds et cetera being dealt with in a comprehensive management plan?---They can accept from that milestone, but the issue was with

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amending the criteria, the contract criteria, without a proper variation being agreed to.

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So you accept that the milestone for the commencement of go live can be one accepted in the terms of the words I've just read to you?---Based on that limited definition there, but obviously if you had severity 2s why would you commence go live if you couldn't meeting completion of business cut over because of the severity 2s in existence?

10

Okay. Thank you. And consistent with what I've just suggested to you, there was in fact a comprehensive management plan, you believe. You hadn't seen it but you believed that to be so?---I would hope so, yeah.

You refer to minutes which refer to them. You believe, I take it, that such a document existed?---I would hope it was comprehensive enough.

The project board, you know, made a decision?---That's right, they signed off on it, yes.

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Thank you. Can I ask you about a few other things that you referred to in your statement? Go to paragraph 33, please? ---Yes.

Probably 32, where you deal with a CCD 162. Can you just explain what that acronym stands for?---That would be change request 162, they were very interchangeable terms.

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And it relates, you tell us, to statement of work 13? ---Yes.

So that this was a change request which ultimately was for the approval of statement of works 13?---Yes.

You know, don't you, that the contract originally executed had a number of statements of works and three statements of scope?---Yes.

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And I take it you read the contract at some stage in the course of your job?---Yes.

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And the statements of scope number 1 dealt with the proposed interim Lattice replacement work?---Yes. 1

And it was to be turned into and ultimately was turned into statements of scope 7, 8A and 8, and a few others?---Yes.

And those things all deal with the Lattice replacement for Queensland Health?---Yes.

The rest of the statements of work or statements of scope are concerned with the whole of government, the performance of the whole of government work?---My understanding is, for instance, statement of work 5 was - that they would build some part of the solution that could be picked off the shelf and plugged into a statement of work, so they may have been working in parallel some work under statement of work 5 would have then been used by statement of work 8, for instance. My understanding is, yes, it was a risk with Queensland Health, Lattice and IBM proposed that - I think it was - originally, it was about a six month process that they would get an interim solution in place to mitigate that risk while the whole of government arrangement, for instance, would be to statement of work 13. 10 20

Right. I'm not trying to suggest to you that the other statements of work of statements of scope might not ultimately find some use in Queensland Health, but the only agency which was selected out for special treatment in the contract was Queensland Health by virtue of statement of scope 1?---What, at the ITO stage? 30

In the contract stage?---There was - - -

Oh, please, Mr Bird, you understand statement of scope 1 - - -?---Yes.

- - - was concerned with something special for Queensland Health and the other statements of scope and statements of work were directed to the performance of the whole of government, the roll-out?---Yes. 40

Thank you. There came a time when the Department of Education itself wanted to be given some special treatment?---Yes.

It wanted to be advanced in the performance of something? ---Yes.

And that gave rise to statement of work 13?---Yes. 50

Thank you. You - and also statements of work 11, 11A and 11B. Do you recall that?---Yes.

And those things, whatever they provide, identify the work to be performed by IBM and the payments to be made?---Yes.

They were negotiated by people within the department, within CorpTech, probably, and with IBM?---Yes. 1

And approved by whoever is responsible for doing those things within CorpTech?---Yes.

Not you?---Not to approve it, no, but statement of work 13, I was concerned that the best estimate process or conversion, I haven't seen it actually being conducted, so when I first joined CorpTech - so I actually sat down with Terry Burns and (indistinct) I think his name was with statement of work 13 project manager to get an understanding because - to get a level of comfort that the translation from the statement of scope to statement of work 13 was accurate. 10

Right. You say in your statement that you recall "Mr John Beeston came down to Malcolm and I in about November 08 (indistinct) - - -?---Yes. 20

- - - which is the one we're talking about?---Yes.

"I refused, saying, 'IBM has not followed the extension of time procedure.'"?---Yes.

What was being proposed was to pay IBM the full fixed price of some figure, which you give us?---Yes.

And it hadn't performed. Now, that's what you say. Okay? ---Yes. 30

In terms of the approval of statement of scope 13? ---Statement of work 13.

Statement of work 13. I keep doing that. Is that your recollection, that you refused to prepare it or to draft it, or whatever it is you first do - - -?---Yep.

- - - because IBM had not followed the extension of time procedure?---Yes. 40

Thank you. You know it was ultimately approved and signed by Ms Perrott?---Yes.

And also by the chairman of the change approval board? ---Yes.

Who was Mr Ekert, was it?---I would imagine so. This comes back to not following extension of time procedures which - - - 50

I know. It may have been Mr Rawlinson or Robinson, it could have been. Mike - - -?---Mike Robinson. He would have acted - - -

Okay. Was he at that stage the chairman of the - - -

COMMISSIONER: The change advisory board?---Solution design authority. Change advisory board, yeah, so - - - 1

MR DOYLE: Change advisory board?---So it would have - yeah, it was normally - it was staffed by an SDA representative. Mike Robinson, Dave (indistinct) in the solution design.

Someone who has an understanding of the technical aspects of things and is able to make decisions which are outside your confidence?---Yes. 10

Thank you. You say in your statement as well that there came a time where there was - as a result of the forward planning process - - -?---Yes.

- - - a price which is much higher, you say, than what was originally the subject of the ITO?---Yes.

You know, don't you, that prior to that being done, there had been a number of approved change requests?---Yes. 20

And they had involved in some respects making additional payments to IBM?---Yes.

You know as well that there was a suggestion at least by IBM that what it was being asked to give estimates about included further changes of scope from what they had included in the ITO process?---My recollection was that's what their position was but the people I was working with in the solution design authority in order to a like for like assessment were saying that wasn't what we were asking them to do. 30

Okay. So they may well have been providing information which was not what they were asked to provide?---Yes.

Okay?---Or scope that was over and above what these people in the solution design authority wanted. 40

Okay. Well, they may have both been providing information which they weren't asked to provide or offering to provide scope which they were not asked to offer?---That's right.

Okay. And in part, you know that includes, can I suggest to you, this: the offer of agency implementation activities, that is, to do the implementation within the agencies themselves, which is something that IBM had in its ITO response said was not included?---Right. 50

Do you recall that topic?---Not - no, I don't recall that.

Let me see if I can refresh your memory. The ITO called for responses which could include option 1 or option 2? ---Mm'hm.

Do you recall that?---I didn't really familiarise myself with the ITO because it wasn't a contract document. 1

Well, the options, the differentiation between the options was the extent to which the project - the prime contractor was involved in the agency implementation work?---Right.

Does that ring a bell?---No.

Okay. Never mind. Thank you. Whatever the information that IBM provided, you can recall, can't you, that the contract had a provision that enabled CorpTech if the - if IBM weren't converting the best estimates to fixed prices, produced something more than 15 per cent above what was included in the contract. The contract provided a regime, though, which CorpTech could send that off for independent assessment?---Yes. 10

And you've heard me ask Mr Campbell about that this morning?---Yes. 20

And it contemplated, you can recall, both parties having to cooperate with an independent expert - - -?---Yes.

- - - so it could make assessments and inquiries if necessary. And to facilitate that, the contract required IBM to provide some information to be held by Mallesons and Escrow - - -?---Yes.

- - - so that everything that had been the foundation of IBM's best estimates was available through that independent expert for comparison?---Yes. 30

You can recall that as being a contractual provision? ---Yes.

And it's right to say at no point did CorpTech seek to activate that provision?---No.

Thank you. In respect of testing, the topic testing, you were not personally involved in the conduct or analysis of the testing?---No. 40

Indeed, it would be outside your expertise to do so? ---That's right.

Thank you. Sorry, there is one other thing. You were asked in respect of change request 60 and 61 - I'll show them to you again if you need to see them, but you were asked what was the urgency. Do you recall that?---Yes. 50

And in the context of someone collecting it off the printer and taking it off to where Ms Perrott was, as you recall it?---Yes.

This was a program or a contract to your understanding which had very tight time frames?---That's right, yes. 1

That your understanding is that change request 60 and 61 itself was amending the contract to provide some additional things that IBM have to do?---I wouldn't have understood what the scope was at that point in time.

Okay. You don't have that in your mind?---No. 10

But everyone was pressing for things to be done quickly? ---Yes.

It would be fair to say of any issue that arose in the course of the conduct of this contract there would be pressure to get it resolved as quickly as it could be done?---Yes.

I have nothing further.

COMMISSIONER: Thank you. Mr Horton? 20

MR HORTON: Mr Bird, you were taken to change request 184 by Mr Doyle at volume 9?---Yes.

If I can get you to go back there, if you don't mind - - -? ---Yes. I've got it.

- - - if it's open there in front of you. I'd like to ask about page 134?---Yes. 30

I'd like you to also look please at page 194?---Yes.

It's suggested to you that, in effect, what appears in 134 has cleared the way for what one sees later and that is that a clearance of the project proceeding, albeit that there might exist severity 1 and 2 defects?---Yes.

I want to suggest to you that this page is concerned with payment milestones, so it's based upon which IBM gets paid for doing things?---Yes. Yes. 40

If you look there at the bottom paragraph, "The milestone is not achieved unless and until the relevant deliverables have been accepted, if acceptance is applicable"?---Yes.

Then the way in which these documents work, page 194, serial number 44, is the acceptance - - - ?---Yes.

- - - of the relevant deliverables?---The acceptance criteria, yes. 50

So one has to meet the acceptance criteria - - - ?---To meet the milestone.

22/4/13

BIRD, C.R. XXN  
BIRD, C.R. REXN

Yes. But IBM gets paid according to the payment milestones which have been varied by change request 184?---Yes. 1

So in fact one could have a situation on these documents where the system has not been acceptance in the acceptance criteria, but where IBM will nevertheless get paid because it's met the acceptance of the payment milestone being two different criteria in this case?---Yes.

Thank you. No further questions for Mr Bird, Mr Commissioner. 10

COMMISSIONER: Thank you.

MR HORTON: Might he be excused?

COMMISSIONER: Yes.

Mr Bird, thank you for your assistance?---Thank you. 20

You're free to go.

WITNESS WITHDREW

COMMISSIONER: All right, thank you, gentlemen. We're making good progress. I appreciate that. I'm grateful to counsel. We will adjourn until 10.00 tomorrow.

THE COMMISSION ADJOURNED AT 4.32 PM UNTIL TUESDAY, 23 APRIL 2013 30

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