

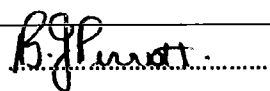
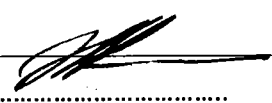
## Health Payroll System Commission of Inquiry

### STATEMENT OF BARBARA PERROTT

I, **BARBARA JEAN PERROTT (MARRIED NAME, KULPA)** of (Address known to the Commission) state as follows:—

#### **CAREER BACKGROUND**

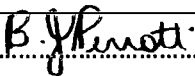
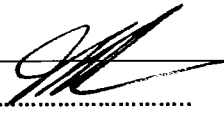
1. Prior to my retirement from 1 July 2011, I had been employed in the Queensland Public Service for a period of 40 years. I held a variety of roles and careers within the Public Sector ranging from administration, social welfare, human resource management, organisational development and change management, and most importantly general management and leadership at a senior level.
2. I hold a Bachelor of Commerce majoring in Human Resource Management and Industrial Relations and a Certificate of Social Welfare.
3. In June 2003, I was appointed as the Executive Director, CorporateLink that was one of the Shared Service Providers created under the Queensland Government's Shared Service Initiative (SSI). CorporateLink reported to Government through Department of Natural Resources.
4. At that time the Shared Service Implementation Office (SSIO) had dual responsibilities. That is, for the overall implementation of the SSI, and for joint accountability with CorpTech for the programmed roll-out of the new systems, the Shared Service Solutions program (SSS).
5. Together with its implementation role, CorpTech also provided the systems support to the Shared Service Providers (SSP). Both SSIO and CorpTech reported through Queensland Treasury with the Shared Service CEO Governing Board providing additional governance to the whole-of-Government initiative.
6. In early 2006, at a time when the business arrangements were firmly entrenched, Government approved the amalgamation of the three SSP's CorporateLink, PartnerOne, and Corporate Solutions Queensland into one large SSP, the Shared Service Agency. These arrangements took effect from 1 July, 2006.

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7. At that time the role of SSIO was scaled back and its remaining functions transferred to the newly formed Policy and Program Office (PPO) which reported through the Managing Director of the SSA. PPO still retained the role of joint oversight with CorpTech of the SSS program.
8. With the set-up of the SSA, I was invited to lead the PPO as the, then ED of SSIO transferred from that position to lead the SSA.

#### **MOVE TO CORPTECH**

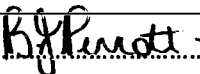
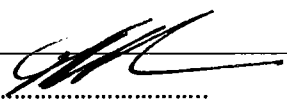
9. In July 2007 the SDPC Report tabled in Parliament made recommendations relating to the organisational arrangements, governance and leadership of the Initiative, systems and processes. Importantly, it recommended separating the PPO from the SSA and amalgamating the resources to support the SSS program; as well as the review of project management in SSS, including the management of contractors, and the timing of the business solution roll-out.
10. During the early part of 2007, confidence in the SSS Program across the Sector was at an all-time low. Agencies were sceptical of the ability of SSS to deliver and were becoming increasingly frustrated in the changes to and delays in the roll-out schedule (Schedule 9). This could be evidenced in Minutes of CEO Governing Board Meetings and Executive Director Steering Committee meetings where the adjustments to Schedule 9 were frequent agenda items.
11. By the end of 2006 only five of the then 20-odd departments were live on the new Finance system and in March 2007 the first SAP agency HR implementation went live. Hence the raised expectation of 2003 with the commencement of the SSI/SSS, were becoming more and more shaky due to the time lag and little perceived benefit from the Agency viewpoint. Implementing a whole-of-Government program such as this was a highly complex task however agencies were losing confidence.
12. Between April and June 2007, with the resignation of the then Executive Director of CorpTech, and the amalgamation of the PPO with CorpTech, I was invited to transfer into the position of ED CorpTech.

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13. The skills and knowledge that I brought to the position included high-level knowledge of and experience in leadership of the SSI since 2002, senior management experience, operational knowledge of the SAP system and requirements, and leadership of large-scale change within the Government environment. I viewed my experience, (together with where I had found myself) could benefit the program as it went through a major repositioning. I was of the opinion, however, that once we had established the new arrangements/Governance, I would most probably move-on to a more permanent role.
14. My appointment to the position of Executive Director CorpTech took effect from around 1 July 2007 and I was in that position until March, 2009 when I transferred to the position of Managing Director, SSA.
15. I reported to the Under Treasurer (Mr Gerard Bradley) for the first year of my appointment to the Executive Director, CorpTech and then to the Director General, Department of Public Works (Mr Mal Grierson) from 1 July 2008 when CorpTech and the SSS Program transferred to DPW.

#### **REPOSITIONING THE SSS PROGRAM**

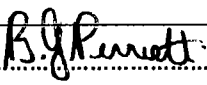

16. In early 2007, along with the diminishing confidence of the Sector, the confidence of the staff within the SSS was also beginning to wane. Morale was extremely low within the organisation and the various contracting organisations involved, started making representations of concern. Public Servants who were seconded to CorpTech from agencies were asking to go back to their home Agencies, even if it meant dropping-back in salary.
17. It was evident that the Government's "internal" model of implementing the SSS program was not achieving its original objectives in terms of cost and time and the risks associated with aging corporate business systems were increasing. Additionally, the SSS program was staffed by around 450 contract staff being paid an average of \$1100/day on a time-and-materials basis. This placed an added burden not only on cost but knowledge and skill retention in the program.
18. In April 2007 an independent review of the SSS program was commissioned by the then PPO of which I was the Executive Director. This review had the endorsement of the CEO Governing Board.

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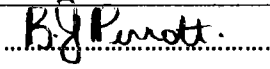
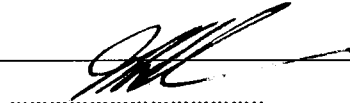
19. The independent review was lead by Mr Terry Burns of Cavendish Risk Management Pty Ltd. Mr Burns came highly recommended by a couple of the contracting agencies that were supplying contractors to the SSS. His references attested to his previous experience in risk assessment and mitigation with large IT projects that were reaching potential points of failure.
20. The review findings presented in May 2007 identified issues with overall program costs and timelines and recommended that an experienced external ICT organisation be appointed to lead subsequent implementations and provide the expertise required to deliver the solutions within the remaining funds and to accelerate the implementations.
21. Note: For a few months (perhaps 6months) after delivering his findings Mr Burns continued as a contractor within CorpTech. His role included advising on the establishment of the Solution Design Authority within CorpTech, advisor on the establishment of a Prime Contractor Model, one of a few advisors to the Contract Evaluation Panel and assisted with the selection of the Head of the SDA. Once his contract came to an end in CorpTech he was recontracted with Queensland Health. I was not part of the decision to contract Mr Burns with Queensland Health.
22. After further consideration by the senior Shared Service governance committees a decision was made to tender for a Prime Contractor to supply the system implementations going forward.

#### THE TENDER EVALUATION PROCESS

23. On 12 September 2007 a closed offer process was approved and an Invitation to Offer (Prime Contractor) for the Shared Service Solutions program for the Queensland Government was issued to three potential Prime Contractors (IBM, Accenture and Logica), based on their current knowledge of and experience in various aspects of the SSS project.
24. Prior to this Offer being made a Request for Information was issued to a wider pool (from memory 7 or 8 suppliers) of potential applicants who had experience and knowledge in the SSS program requirements. This request produced the shortlisted three as mentioned above.

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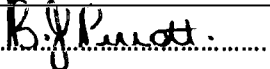
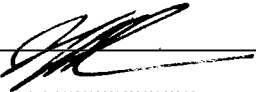
25. It is not unusual to use the "Request for Information" process in this type of tender process. It has the benefit of allowing a wider group of potentials to present their ideas, proposals and technology and for those who are least likely to be successful to be eliminated before the process begins. The benefit to tendering organisations is that they may be saved the cost of constructing a submission for a tender for which they are unlikely to win and the Government saves the cost of long drawn-out tender evaluations. These processes are extremely costly for both the organisation and the State.
26. A tightly managed tender evaluation process was conducted with the three applicants which resulted in the Evaluation Panel recommending the appointment of IBM as the Prime Contractor. This recommendation was signed by members of the Evaluation Panel including me as the Chair, around the 23 October 2007. This proposed contract was for the implementation of the new finance and human resource systems for the Government's Shared Service Initiative to be delivered to six agencies. Namely, the then Department of Education, Training and the Arts (DETA), Queensland Health (QH), Queensland Corrective Services, Department of Emergency Services, Department of Public Works, and Queensland Treasury.
27. The tender evaluation process was in accordance with the Queensland Government's Procurement Guidelines.
28. While I was the nominated Chair of the Panel, because of the complexity of the SSS and the mix of whole-of-Government and Agency-specific requirements, multi-agency assessment teams were created around several aspects of the contract requirements. Aspects such as scope, technology, governance, cost, resourcing, and so on.
29. From memory, these teams were made-up of subject experts from CorpTech, SSP's and Agencies, including central agencies. The procurement process also included a small number of advisers on particular aspects of the process. The leads of each of these teams provided regular reporting to the procurement decision and would have been signatories to the Panel Recommendation.
30. Mallesons had been appointed in August 2007 to advise on the procurement process, the engagement and contractual arrangements of the Prime Contractor, and subsequently, to advise on the ongoing management of the Contract as required.

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31. Internal Audit staff from across the Sector were also briefed as appropriate. Queensland Treasury and CorpTech's Audit Teams were more closely involved.
32. The Executive Steering Committee and the CEO Governing Board were also providing oversight to the procurement decision-making process.
33. I also met on a monthly basis with Queensland Audit Office and I believe the Prime Contractor Evaluation Process would have been one of the issues of which I would have kept them abreast.
34. As Chair of the Evaluation Panel, my role involved overseeing the process from design to the signing of the Contract, ensuring that the probity of the procurement process was maintained, receiving regular briefings from Team Leads, attending information sessions from applicants as appropriate, and endorsement of the final recommendation. Throughout this process, I would have been required to provide regular updates to my superiors on the progress of the process but not confidential aspects of the decision.
35. As my training and experience is not in information technology, I relied heavily on the recommendations of the Team Leads appointed during the procurement process and attended "subject-matter" presentations from the applicants as appropriate. The role of the subject-matter experts on the procurement panel teams was to assess the detail in the submissions and the applicants' ability to deliver the SSS program of work within the agreed parameters.
36. I should point-out however, that while my expertise was not in information technology, I had managed within a shared service environment since 1996 and I was highly conversant with the business process requirements of a HR/Finance system, contract management, resourcing, and procurement evaluation processes.

#### **2007 CONTRACT BETWEEN IBM AND THE STATE**

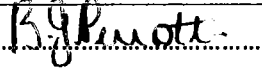

37. The Contract between the State and IBM was signed on the 5 December 2007.
38. I am aware that in the contract with IBM entered into in December 2007, that I am referred to as, variously, the Ordering Officer, the Officer to Receive Invoices and the "Customer Contact ED SSRO".

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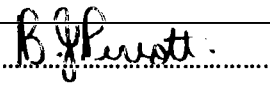
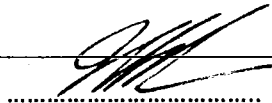
39. From memory I was on Recreation Leave and overseas from late November until mid January. My leave was then extended until late January, due to my husband being hospitalised in Perth for 3 weeks en-route back to Brisbane. Consequently, I was not at work during the initial set-up of arrangements with the Prime Contract.
40. The negotiated Contract between the State and IBM identified a number of Statements of Work (SoW). Some were fixed price and some were best estimate of work.
41. A key element of IBM's proposal was its recommended approach to using WorkBrain as the "awards engine". This design, they suggested, would be a means of greatly reducing the cost. To test this proposal, they suggested a Workbrain Scalability Assessment that was to be resolved by April 2008. This was a key element of the proposal for Queensland Health.
42. The Contract also included a period of Lattice Planning and Scoping, which from memory, would allow for a fixed price quote for the QH Payroll project. This period was for 8/9 months and the intention was to allow IBM to conduct a much closer assessment and fix a more accurate price. It was also expected that this fixed price would be within the realms of the best estimate price.
43. The Contract was a standard GITC Contract and provided for Best Estimates of Work that could be translated into Fixed Prices so long as the requirements outlined in the Contract were met.
44. The Contract also outlined several aspects by which the Prime Contractor and its program of work would be managed. Namely, clearly articulated governance arrangements around project management aspects such as, scope management, the Change Control Process, financial management, and other key program management structures.

#### GOVERNANCE

45. To the best of my memory, appropriate Governance arrangements were implemented within CorpTech, IBM, SSP's and Agencies. These included the Solution Design Authority and the Program Management Office in CorpTech, Steering Committee Structures within QH and DETA, joint Change Advisory Boards, and Solution Steering Committees. These Committees were supported by working committees that worked at a more detailed level.

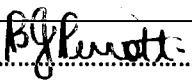

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46. IBM, CorpTech, SSP's and Agencies reported fortnightly to the Executive Steering Committee (Chaired by me) and monthly to the CEO Committee (Chaired by the Under Treasurer and later the DG of DPW)
47. The Executive Steering Committee included the senior Corporate Services representatives from Queensland Health, the Assistant Director General, Corporate Services, DETA and the Managing Director, Shared Service Agency. While the Deputy Director General, Corporate Services was the QH nominee on the Committee, his senior proxies often attended on his behalf.
48. Given that QH and DETA were key priorities at this stage, the SSA and its agencies did not figure highly in the arrangements at the time, other than attendance at the ESC.
49. While as ED CorpTech, I had overall responsibility for the program, these Governance arrangements played a critical role in communication, ensuring appropriate decision-making and approval of milestones and changes to delivery and system architecture. IBM provided a monthly progress report to this Committee including an overview of major Change Requests.
50. All progress and/or changes to the implementation program across the Sector had the full view of all members of this Committee. A consensus approach to decision-making was the modus operandi of the Committee with the Chair having the final decision-making power. This approach, however, was becoming more and more unworkable the further we progressed with the new arrangements and the more the focus moved to QH.
51. Notably, the Governance arrangements implemented at the time were agreed to be the "best-fit for the time". That is, prior to the appointment of the Prime Contractor, the SSS Program had been governed centrally through Queensland Treasury supported by multi-agency/SSP Committees, chaired by representatives of Queensland Treasury. The key goal of the Shared Service Initiative and the SSS Program was to have a single instance of SAP with all agencies on the one instance.
52. This would lead to standard business process design or a single approach to delivering HR and Finance services to all departments. In essence, this should lead to more efficient corporate services being delivered (or Government overheads) and the resultant savings being redirected to front-line service delivery.

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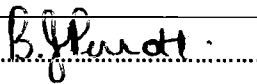
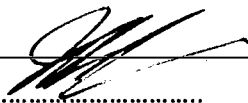
53. It was around this time that the Sector really started to question whether this goal could ever become a reality. I am not sure whether this was due to the perceived "slowness" of the implementations, the ever-increasing costs, or the increasing pressure for the larger agencies Queensland Health (Lattice) and DETA (TSS) to be moved to the top of the replacement priority list. While there were a number of agencies on the new SAP finance system, after 3-4 years there was only one HR pilot completed. That is, Housing Department.
54. As a result, as leaders of the SSI/SSS we started to question the viability of the single-instance model and the centralized governance approach to the roll-out of the systems. This was happening in parallel to the work that IBM was conducting.
55. At its meeting of 15 April, 2008 the Shared Service CEO Governing Board endorsed the decentralisation of the governance arrangements, and a move to a multiple instance approach. The original Government proposal from 2003, was that there would be a "single instance" of SAP for Government where each Agency would have their own section of that system. This new decision of a "multiple instance" model however, was that, QH would have its own SAP system, that DETA would remain on their own payroll system called TSS, and SSA and its Agency clients would continue to rationalise and consolidate the many versions of SAP and business processes upon which their payroll was delivered. From memory, this decision not only gave QH its own instance but more control over its particular Governance framework. (Reference Letters between me and Mr Michael Kalimnios dated 18/09/08 and 7/10/08).
56. These revised governance arrangements also saw the abolition of the CEO Governing Board chaired by Queensland Treasury and the establishment of a CEO Sponsor Group, chaired by the DG DPW, supported by an Executive Steering Committee chaired by the ED CorpTech. From memory a key role of the ESC was to provide support and advice to the ED CorpTech in the oversight of the IBM Contract. However, with the decentralisation of the work, it was evident that as the main work occurring was between IBM/QH/CorpTech that the Solution Steering Committee/QH Program Board should be established and the Executive Steering Committee's role became defunct.

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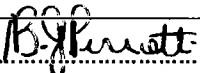

57. From memory this high-level QH/CorpTech/IBM Board commenced operation around February, 2009. This allowed QH a greater autonomy around decision-making than the previous models.
58. In the paragraphs above, I reference only the high level Governance arrangements and their revision. There were however, several layers of multi-agency committees that managed various aspects of the program. Committees to manage change request decisions, scope, solution design, budget, resourcing to name but a few. The role and responsibilities of the committees in all of the Governance structures were clearly documented and communicated. To my knowledge Minutes were recorded of all meetings.
59. I moved to the Shared Service Agency in March, 2009 at about the time when the new Project Board commence in Queensland Health. I may have attended a couple of meetings where we were discussing the Terms of Reference and to hand-over my responsibilities to the incoming General Manager, CorpTech.

#### CHANGE REQUESTS

60. The Change Request Process was a key governance requirement of the Contract. In essence, it consisted of any of the three parties IBM, QH, or CorpTech initiating the change request and for it then to be considered and recommended and signed through several layers of the decision-making before a final sign-off by me. These layers included the solution design teams, change advisory board, QH Steering Committee, the Director of the Solution Program Office CorpTech, and perhaps the Directors of the SDA and Service Management.
61. Hence, by the time the Change Request arrived for my signature, I would receive a briefing on the impact of the Change Request, usually from either the Director SPO or Director SDA, and I would also ensure that the correct sign-offs had occurred and that I also had the financial delegation for the sign-off.
62. Any approvals outside of my delegated authority would be submitted up-the-line to my Director General/Minister for approval. Any submissions requiring Director General approval would have been via a detailed Briefing Note and a possible face-to-face briefing.

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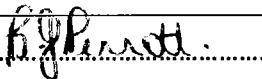
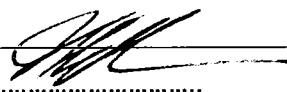
63. Significant Change Requests would have usually been brought to my attention earlier than the sign-off period. Either through independent briefings or would have been agenda items at one of the governance committees where I would have been in attendance.
64. The Change Request Process was clearly articulated and major concerns were about impact on the original pricing as well as design of the system. A summary of these Requests and their impact were key agenda items at the high-level governance committees.
65. In the first few month of working with IBM, I recall a large number of Change Requests being processed and questioning the cumulative impact of these large numbers of requests and I was becoming increasingly concerned about IBM's capacity to deliver. IBM were making changes to some key staff, and transferred-in a new Project Manager from New Zealand who reportedly "specialised in project managing the more difficult assignments".
66. I recall conversations with my key advisers and Mallesons regarding IBM's performance and monitoring possibilities for dealing with potential non-performance notifications to IBM. I also recall withholding payments to IBM on a couple of occasions for not achieving agreed milestones. These payments were finally released after discussions between the Director General and senior IBM staff regarding performance.
67. In October, 2008 IBM advised that it underestimated the size, complexity and scope of Phase 1 Implementation, with the consequence that its revised implementation cost estimates would significantly exceed its original tendered cost.
68. In "informal conversations" with a couple of IBM staff they reported to me that they "had never in their experience worked in such a conflict-ridden project as the QH Project". This view was shared across the program that is within CorpTech and QH as well.
69. At this stage, I was briefing Mr Grierson about these concerns on an almost daily basis. There would exist briefing notes from people reporting to me and me noting them and sending them on to the Director-General for his attention in late 2008.
70. I have been asked whether Queensland Health would have signed off on the change requests and whether Queensland Health ever expressed the view that the change requests ought not to be made because they did not suit its requirements. My understanding is that Health signed off on all of the change requests. I don't believe that I would have approved

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any those requests because I would not sign requests unless the proper "sign-offs" had occurred. Should QH have had problems with "perceived blocking" by CorpTech in approvals at any level, senior QH personnel would discuss the matter personally with me in an attempt to reach a way forward.

#### OTHER ISSUES

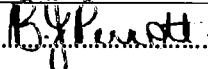

71. During the first 6 month of 2008, IBM was conducting scoping work in DETA as well as QH. It appeared that QH would require its own instance of SAP, so we were investigating the possibility of designing an instance for DETA that would fit with the requirements of the rest of Government. Hence, there were two large important and urgent bodies of work occurring with between IBM and the State at that time. Given the need for division of labour I, personally, was having much closer involvement in the IBM/DETA work. This allowed my direct reports to represent CorpTech at the senior governance steering groups within QH providing me with regular reports on progress and issues. I also had regular discussions, either face-to-face, phone, or in governance meetings with the senior QH Corporate Services Staff regarding progress.
72. I have heard allegations made in a radio interview that IBM was given information which the other tenderers did not have and that, in a more general sense, there was impropriety in the tender process in favouring IBM's bid over those made by Accenture and Logica. I do not have any knowledge of that ever having occurred, although I did hear a rumour to that effect some time later. I did not hear the rumour until after I was working at the SSA (2009-2011) and I assumed they were malicious rumours. There were various rumours about various people occurring at that time so I didn't give them any serious consideration.
73. I was not and am still not aware of any impropriety in connection with the tender. At the time of evaluation, the probity advisor to the Evaluation Panel communicated a high level of satisfaction with the process and Internal Audit did not raise any concerns about this issue with me or anyone else that I am aware.

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74. I have been asked whether the Prince2/Project Management framework was applied to the governance approach to the Program. I believe that, the Prince2 methodology was applied at the beginning of the SSS program at a basic level. Over the course of the implementation it was becoming a stronger requirement within Government, better understood with clearer models and tools. By the time I left CorpTech in March 2009, there was a much stronger alignment with the Prince2 methodology together with a more decentralised approach to governance generally. This model was refined to a greater extent once the multi-instance approach was embedded through 2009/10. It should be noted that at the time that prior to and during my time in CorpTech, I do not believe that there was a high level of compliance in many parts of Government with the Prince2 methodology.

75. I have been asked whether we ever got together with Queensland Health to work out what the Statement of Works means and what we want from IBM. I would have thought that these discussions were happening on a daily basis at many levels within the organisations. I do remember a time however, when the conflict between the parties was extremely high along with frustration and turnover. QH convened a workshop of the senior staff from QH/IBM/CorpTech to discuss and resolve issues. I am not aware of a resolution document being produced as a result of the workshop. QH contracted Arena Consulting to facilitate the day.

76. As ED of CorpTech, I was frequently called-on to mediate situations between QH/IBM/CorpTech or DETA/IBM/CorpTech, where IBM may have been suggesting a particular design feature and the Department or CorpTech may have had different views. There was a high level of tension between the "out-of-the-box" solution, or IBM's belief in what may be best practice, and the agencies particular requirements. IBM believed that the charter was to implement "best-practice solutions" that also met agency requirements. Agencies were less trusting of the so-called best practice solutions and were keen to test out the viability against "agency-specific needs". This tension had existed since day 1 of the SSS program, and I believe was fundamental to the drawn-out nature of the implementation. We had hoped that IBM may have more sophisticated ways of resolving these primary disputes.

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22 February 2013