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TRANSCRIPT OF PROCEEDINGS

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THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

MR P. FLANAGAN SC, Counsel Assisting
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IN THE MATTER OF THE COMMISSIONS INQUIRY ACT 1950

COMMISSIONS OF INQUIRY ORDER (No. 1) 2012

QUEENSLAND HEALTH PAYROLL SYSTEM COMMISSION OF INQUIRY

BRISBANE

..DATE 13/03/2013

Continued from 12/03/13

DAY 3

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BOND, DARRIN JOHN called:

COMMISSIONER: Yes. Mr Doyle, good morning. Before you resume can I ask what's happening about the draft order I gave you yesterday?

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MR FLANAGAN: I've spoken to my learned friend, your Honour, and it's agreed between the parties, subject to what you think, Mr Commissioner, that order 1 is the only necessary order and order 2 is not necessary in the circumstances.

COMMISSIONER: Very well. What about the undertaking?

MR DOYLE: It hasn't been provided yet. This is not something I've raised with Mr Flanagan, but I understand Mr Dixon has a concern about the extent to which he can report things to his own superior in the legal office of IBM and IBM Global, and we're going to propose a form of words that would permit him to do that.

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COMMISSIONER: All right. Well, when you come up with that, let me see it.

MR DOYLE: I shall.

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COMMISSIONER: Yes, thank you.

MR DOYLE: Thank you.

Mr Bond, yesterday we were going through what you had or what you were given in the course of your evaluative process?---Yes.

Can I ask you to go back to volume 30, please, and open it at page 1439? Do you have that?---Not yet. Yes.

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Which is an email we went to yesterday, I think?---Yes.

Or at least a copy of it?---Yep.

And the likelihood is Maree Blakeney would have received - - -

COMMISSIONER: What page is it on?

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MR DOYLE: 1439.

MR CHESTERMAN: Oh, 14. Thank you.

MR DOYLE: This is an email from IBM to Ms Blakeney? ---Yes.

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But she was the person through whom such information was provided?---That's correct. 1

And it would have, in the ordinary course of things, made its way to whichever of the teams it was relevant to?
---Absolutely, yes.

Good. And the document which appears behind that, which we touched upon yesterday, is a document that would have made its way to your team?---I would think so, yes. 10

And if that were the case you would have read it. You and your fellow team members discussed it and what implication it had, if any, for your recommendations?---Yes.

Can we just go through some things and I'll ask you to explain. If you can recall what you discussed about it or if you can't recall what it now means to you, if you understand?---Yes. Yes, certainly. 20

On page 1440 under the heading Summary of Benchmark Results - - -?---Yep. 20

- - - in the third paragraph it says, "The benchmark simulated a customer with 250,000 employees and 4000 concurrent users running Workbrain time and attendance, and online reporting functions." Now, is that a simulation of an employer with a very large body of employees?---I would think so, yes. 30

Largely, ultimately, than Queensland Health?---Absolutely. 30

The expression "4000 concurrent users", does that mean 4000 people at the same time trying to access and use the facilities of Workbrain?---That's correct, yes.

All right?---Sorry, that's my interpretation of it, yes.

And that's fairly obvious, isn't it?---Yep. 40

Good. Forgive me, I'll ask many obvious questions about computer matters. Then the next paragraph, "A full concurrent user load, the average response time for time and attendance, online transactions, was delayed a half a second"?---Mm'hm.

And, "The Workbrain application performed consistently and steadily. All transaction response times were under two seconds with the exception of one," which they identify, which took three seconds?---Yep. 50

Now, bear that in mind, if you will, we'll come back to some of that in a moment. Turn to the next page, please. Do you see a heading Benchmark Design?---Yes.

And in order to conduct a benchmark, the Workbrain - sorry, 1
Workbrain selected six typical business processes. See
that?---Yep.

And are they - sorry, I'll leave some words out. "Finally,
business processes were further characterised as either
online transactions or batch"?---Mm'hm.

Can you tell us what that means?---An online transaction 10
would be where the person is directly interacting with the
system, a batch system, a batch transaction is typically
done maybe overnight or after hours. The use may not know
that batch transaction is occurring.

So you give the computer some instruction, does it
overnight?---Exactly.

Then if we turn over the page, under the heading Batch 20
Transactions, do you see - read anything you need to, to
answer this question, but you'll see a row described as
"Payroll Export"?---Yes.

All right, And it says, "Execute payroll export process for
250,000 employees for two weeks"?---Mm'hm.

Now, do you recall if you read that back in 2007?---I can't
recall but I would have read the document and I think I
would have read this.

And can you tell us what it means?---To me, that would mean 30
that they did an export of all the employees that they were
testing, so the 250,000 employees, for a two week pay
period, with the intent of loading it then into some sort
of payroll engine.

Right. To send the money through them?---Potentially, yes.
It's not clear here, though, what processing is occurring
in which system.

Sure. But does this suggest to you that it's applying what 40
we would call, I suppose, award regime or pay entitlement
rules?---No.

It doesn't?---No.

All right. Turn the next page, please. I want you to read
the hearing "Business Rules"?---Mm'hm.

Then it says, "The application configuration includes a 50
representative set of business rules"?---Yep.

"These can range in complexity. The quantity and
complexity of the rules can impact application of
performance and response time. The test included the
following rules." And then you see beneath it a table,
basic, medium and complex, and they include, you'll see,

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round the clock rules, work detail rounding rules, overtime rules, holiday pay, grace rules. Those are sorts of rules about pay instruction, aren't they?---They are, yes. 1

Well, it would at least comprise part of what we in Australia would call "awards"?---Exactly.

Okay. So that this tells - you don't recall reading this, I take it, back then?---Look, I can't recall reading it but I'm sure I would have, yes. 10

Okay. Well, reading it now, you understand that the business rules that they're talking about are things which at least include things we would call the award rules? ---Yes. I would see that as quite a subset, though, of award rules.

Of course. Now, well, if you turn across, then, to page 1447?---Mm'hm. 20

I want you to read the first two paragraphs on that page, the performance and scalability of Workbrain solutions have been validated through large benchmarks et cetera?---Yep.

Then it says, "This document describes an indicative benchmark conducted on Workbrain 5 at the IBM computer benchmark centre somewhere in New York"?---Yep.

And then, "The benchmarks" - sorry, "demonstrated an average response time under two and a half seconds - - -? ---Mm'hm. 30

- - - with 3000 simulated concurrent users performed time and attendance function." Do you know what that is?---That would be around rostering, so the time that people worked, when they took leave, things like that.

All right. Can I ask you - well, we'll come to it in a moment but I can ask you just to keep your finger on that page and turn to page 1450?---Yes. 40

You see a heading Business Rules?---I do.

"The complexity and configuration of pay rules impacted the performance of many time and attendance functions"? ---Mm'hm.

And then things were set out in that table below?---Yep.

Are they the things which are captured within time and attendance?---Again, I would say it's a subset but it's not a bad representation. 50

Okay. And what's set out there are, again, things which are variables we'd describe as your award entitles in Australia - - -?---Correct. 1

- - - which the Americans seem to call either "business rules" or "time in attendance functions"?---Time and attendance is really a component of the award, so there are other aspects of the award, but time and attendance would be the times that you have to work, the expectations of how many hours a day you would work, things like that. 10

Very good. Thank you. Back to page 1447, if you would. I stopped at the words "time and attendance functions, and then it says, "Against the database containing 780,000 employees." Again, that's the size of the employee body that was tested?---Yes.

All right. "The Workbrain application performed consistently and steadily throughout the benchmark. A concurrent user is defined as a user signed into the application in performing work." Presumably, at the same time?---Yes. 20

That's what it should be understood to mean. All right. Now, if we go across to page 1450 where I took you a moment ago - - -?---Certainly.

- - - to these business rules which are being tested as part, you understand, of what's being reported on?---Yes. 30

They include grace rule, what is described as "grace rule". I'm going to read them out to you and then ask you some questions. Late left early rule, I'm not sure if it mean left late earlier. Authorisation rule, holiday - - -

COMMISSIONER: You mean come late and leave early rule.

MR DOYLE: Yes, I don't know. That sounds ideal, actually. Holiday premium pay rule, work detail rounding rule, shift premium rule, daily overtime rule, guarantee rule, recall rule. Presumably, that's where someone has done a shift and then goes home and has to come back for some reason?---I would think so, yes. 40

Okay. And weekly overtime rule. And so, again, these are generically described things which would form part of an award - in Australia we'd call "award rules"?---Yes.

And then I took you at the start to the summary of the benchmark results, and it was positively fair to summarise, wouldn't it?---Yes. 50

Can you turn, in the next document, sorry, to page 1453? ---Yes.

Which is earlier in time as it turns out, and you'll see this is an email dated 15 October?---Yes. 1

The one I took you to before was an email dated 9 October? ---Okay.

Don't worry about that. It's from Maree Blakeney to, in this case, IBM?---Yes.

And I'll get you to look at it in a moment, but, presumably, this is in response to something that your team or some other team asked to be provided?---Yes, it would have been. 10

And it starts by saying, "We are seeking an overview presentation of some aspects of your proposal." And skip most of it, but you'll see at about a little over halfway down the page it says, "See attached file: presentation, application product mix Workbrain doc," and then a little further down, "See attached file: Gartner, market scope"? ---Yes. 20

All right. And if you turn across, now, to page 1455 - - -?---Yes?

- - - you'll see the first of those two documents, that is, the application product mix document as it was described in the email?---1455?

Yes. Is that what I said? Yes. It's headed Workbrain Solutions for Public Sector?---Okay, yes. 30

And if you turn across to 1457, you'll see the Gartner document, okay?---Yes.

Just so we're getting the process clear?---Yes.

Ms Blakeney is sending IBM these documents, in the email I just took you to, and saying, "We want a presentation about something"?---Yes. 40

And that's the kind of thing that you would have asked for in the course of your evaluation?---Absolutely, yes.

And if you go back to page 1454, you'll see there's a typed document which, in turn, cross-refers to those two documents, the Workbrain document and the Gartner document?---Yes.

It reads like an agenda, doesn't it, of things to be raised?---Yes, I think they're questions that we're posing. 50

So it's likely to be something that emanates from your team or your request at least?---I would think so, yes.

Good. So can we infer that you had, and read back then, the Workbrain Solutions for Public Sector document?---Yes.

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You recall doing so?---I don't recall doing so but I think I would have, yes.

Okay. Well, can we just revisit parts of it and I'll get you to explain if you can recall what the impact of that in fact

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had. On the first page; that is, page 1455, in the left-hand column you'll see there's a paragraph commencing, "The challenge"?---Yes.

And then in the second sentence it says, "Time tracking, pay rule calculation and employee scheduling process lack standardisation even within agencies." This is an American description of a problem?---Yes.

Exactly the same kind of problem the Queensland state government was encountering. Then across to the next column, the heading Workbrain Solutions for Public Sector, "Workbrain addresses the upstream processes that feed employee pay and optimises the deployment and management of employees to support the president's management agenda." And then there's a heading Meet Unique Requirements with COTS. Would you mind reading that to yourself?---Sure. Yes.

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I'll get you to read one more thing and then I'll ask you something about it?---Okay.

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And then it says, "Workbrain provides the benefits of commercially available applications while providing the most configurable solution in the industry," and then goes on to say some things. Then at the bottom of the page it says, "The benefits of Workbrain solutions"?---Yes?

Can you just read those?---Sure.

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The one that starts "Highly configurable", what does that mean?---So a COTS is a commercial off the shelf system. The concept here would be that you would buy a solution and without actually writing code to change the underlying solution, its flexible enough and configurable enough to make changes to suit your organisation without having to go to that complex technical capability.

Okay, thank you. Well, it says under that heading, that is, "The benefit of Workbrain solution, highly-configurable COTS solution, match your agency's processes, configure user templates and interfaces, automate 100 per cent of your complex pay rules without costing code." Now, did you read that back then, back in 2007?---I would have, yes.

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But you don't recall doing so?---I don't recall.

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What does it mean, the expression "automate 100 per cent of your complex pay rules without costing code"?---And I would have taken this, given the way it's presented, as a piece of marketing material from a company. I would have read it as the company's making claim that they could automate all of our pay rules, but without evidence I would have had some skepticism.

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Of course, this is the supplier promoting its product - - -?---Its own product, that's correct.

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- - - to you and others?---But reading that just verbatim, it means that they're saying that they could manage the complexity of all pay rules without any customisation, but it still needs configuration.

I understand. But the pay rules, we should understand, you understood to mean award, what we call "award rules"?
---Absolutely.

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Okay. And then can you read the next - to the right of that, it says "proven scalability"?---Yes.

What does scalability in a computing sense mean?---It means how broadly can it be expanded. In this context, it looks as if it's talking about scalability from both a technical perspective to say - because it goes on to say it's web based, so that's a particular application standard or language that might be used underneath - but it then talks about the size, so scalability there also talks about size. So I would read that and take that they believe that it can be used across a lot of people.

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And in fact they say "half a million employees" - sorry "2000 to half a million employees"?---Yes, I suspect the last dot point there's incorrect, so I think that database instance follows from in a single data instance.

Single data, yes, there shouldn't be a dot there?---That's correct.

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All right. And underneath that, it says, "Integrate with Legacy and federal systems," and it says, "Seamless integration to," and I'll leave some words out, "SAP"?
---That's right.

So it's suggesting it does it but it can seamlessly integrate with SAP?---And, again, you would read that and think it would be quite easy.

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Good. All right, thank you. Turn the page?---Mm'hm. 1

I won't ask you to read it again but it's the case you would have read it back in 2007 and saw it as positive and encouraging but you would want to have some things checked? ---Yes.

Would that be a fair way of putting it?---Yes, that is correct. 10

All right. Next I want you to go to page 1457. This is the Gartner document?---Yes.

This professes to be a research paper of the use of various systems in the retail - with being utilized in complex retail workforce management?---Yes, okay.

And I take it you read that back in 2007?---I would have read it, yes. 20

I won't take you through all of it. Can you go to page 1459. You have a figure 1?---Mm'hm.

Market scope for retail time and labour applications? ---Yes.

And beneath it in the left-hand column, a series of different vendors?---Correct.

Including Chronos, SAP and Workbrain amongst a raft of others they have dealt with?---Yes. 30

And then a rating of the law from strongly negative, which none of them get strangely enough, caution against some, promising positive and strongly positive?---Yes.

This research paper at least identifies the only one that is strongly positive being - - -

THE COMMISSIONER: There were two, weren't there? 40

MR DOYLE: Being Chronos and Workbrain.

THE COMMISSIONER: I thought you said only one.

MR DOYLE: Being the only ones.

THE COMMISSIONER: Only ones, yes.

MR DOYLE: I'm sorry. 50

Being Chronos and Workbrain?---Correct.

With SAP being described as promising?---Promising in this scope, yes.

Right. If we turn to page 1463?---63?

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1463, yes. We have the definitions, if you like, of what strong positive, positive promising et cetera mean?---Yes.

All right. Now, again, I assume when you read this, you would have seen it as encouraging, positive material suggesting Workbrain in fact was a worthwhile product but you wanted to have some further proof of that. Would that be a fair way of putting it?---For award interpretation and without going back through the document, I'm not sure that the document would cover award interpretation from Gartner. Certainly from a scheduling and a time and time management perspective, extremely strong product, I would have felt.

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If it referred to compensation/payroll, does that suggest that it's dealing with - - -?---It suggests it, yes.

It's dealing with what they call business rules or something else?---Typically, though different organisations sometimes see that as inputs into the actual calculation, so it does get a little bit harder to compare apples with apples there but I would take your point, yes.

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There's one more document that I want to show you?---Mm'hm.

You can put volume 30 aside?---Good.

It's volume 4, please. Would you turn, please, to page 124?

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THE COMMISSIONER: 124?---I haven't got 124, sorry.

It's not in volume 4?---Volume 4.

MR DOYLE: I have such a page but just give me a moment, please?---4.44, this is 4.77.

I want 4.44?--- It might be in volume 3.

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Sorry, volume 3, page 4?---124?

Correct. Do you have a document that is headed Strategic Analysis of Rostering Transition?---Yes.

It's from an organization called Workforce Edge?---Correct, yes.

And prepared in April 2007?---Mm'hm.

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Apparently for Queensland Health Enterprise Solutions Transition. Is that right?---Yes, that's it, yes.

Do you recall if you saw this document back in 2007?---I can't say I did, no.

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All right?---I can't recall but I don't remember the document, no. 1

I will show you some parts and we will see how we go?---Yes.

Turn, please, to page 127?---Yes.

There's an executive summary. In the second paragraph, it says: 10

Because of the high impact of this project to Queensland Health facilities and operation across the state and the significant pressure added by the notification of LATTICE support cessation in 2008, Queensland Health identified the need to undertake an urgent assessment around the transition of its current rostering tool set to the whole of government solution. QH has engaged Workforce Edge Consulting firm who specializes in rostering practices and system, the Health Services environments to perform the assessment, the goal - 20

which you can read?---Yes.

And then it says, "This document contains the results of the assessment"?---Mm'hm.

And then the summary is: 30

Implementation of Workforce rostering will provide a number of opportunities for enhancement to QH business processes, most notably, pay rules functionality can be used to remove dependence on Middleware and provide real-time processing of ships entered.

Now, pay rules are award rules?---Yes.

And it's the product of this paper that is suggesting that something which Workbrain rostering system can do and provide?---That's how I read it, yes. 40

Okay. Now, does that assist you in recalling that you read it?---I don't believe I read the document because I don't recognize that company at all, Workforce Edge.

I will go further and we will see if it helps but if it doesn't, we will stop?---Mm'hm.

Just read at the bottom of the page, the sentence commencing, "In addition"?---Yes. 50

Now, whether you read it back then, you would agree with the sentiment?---Yes.

That there was an aggressive timetable which introduced risk and required Queensland Health to be really cooperative in handling that?---Very much so. **1**

Without which the risk was enlarged. All right. If you turn, I think - I will skip over - to page 146?---Yes.

There's a heading Roster Compliance and Pay Rules. Pay rules are logic and algorithms that convert worked time (indistinct) paid, so this is plainly dealing with the use of Workbrain for the awards?---Yes. **10**

Read as much as you wish to but I want to just see if you can recall reading first the sentiment expressed in the third paragraph, "Workbrain provides both robust roster compliance rules and robust automatic pay rules"?---Sorry, the third paragraph?

Yes. You may have to read what precedes it but I want to - the third paragraph concludes with the sentence, "Workbrain provides both robust roster compliance rules and robust automatic pay rules"?---I see, yes. I don't - - - **20**

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

You don't recall members of your group discussing that?---Certainly not in the evaluation and I can't recall seeing this document.

Okay. That will do. Turn, please, if you would though to page 36?---36? **30**

36. 162 of the book?---Sorry, 162.

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There's a heading Implementation Approach?---Yes. 1

And it says:

An implementation approach consisting of two or more phases should be designed. Phase one should be designed to include the minimal activities needed to meet the most basic needs of the rostering and payroll functions by June 2008?

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---Mm'hm.

This would include -

and skip to the second -

implementation of Workbrain pay rules for processing time sheet data?

---Yes. 20

So that the author of this report at least was expressing a view that there was an urgent need, a view which you may disagree with, is it fair to say?---I thought there was urgency around Queensland Health but the approach may have differed, yes.

Okay. Nonetheless, that urgency included the introduction of Workbrain pay rules for processing time sheet data?

---Yes. 30

Very good. You don't recall reading those words back in 2007?---No, I don't.

One of your team members was a Mr Atzeni from Health?---He was, yes.

He was on the functional and business team?---Yes.

Which would have at least considered the - - -?---Fair enough so. 40

- - - functional requirements and the capacity of Workbrain to meet?---Yes, and I would have assumed that he would have seen this document.

Okay. Well, do you recall him telling you about those things, even if not showing you the document?---It would have been discussed in this context, absolutely. Not these words but this context is sentiment, absolutely. 50

So without you seeing the document, you are certain that the sentiments that I've taken you to and probably some more were the subject of discussion between you and he, and the other team members?---Fair enough so.

Right. Now, we went yesterday to the evolution of your recommendations. They started more pessimistically and they ended up more optimistically with respect to Workbrain - - -?---Yes.

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- - - in forms I don't need to take you to again, unless you'd like to be reminded?---No, I can recall.

But nonetheless, your team's collective view was that there was a need to conduct some truth in some testing?---Yes.

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Which was to be accommodated by some contractual provision? ---That's correct.

Which you know was included in the copy - - -?---We saw yesterday, yes.

Yes. And you gave us yesterday a document which was really a draft template of what that testing was to be. Is that - - -?---It also included what had been done to date.

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All right. Well, would it be fair to describe it as an incomplete description of the process, there being still something to be done to complete?---Yes.

Do you have exhibit 10 with you or can you be given exhibit 10?---Is that the - - -

That's your - - -?---Yes, I've got it.

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Very good. Now, can I understand if you had any - and tell us, please - did you have any role in the drafting of this document or in the conduct of any of the testing which is before us?---I had left the organisation by that point in time. I left in December 2007. All I would say is there appears to be on page 15, section 6.3, scope defined, so I think I would have been involved in defining that scope, but from there on conducting tests et cetera, I had no involvement or visibility.

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Scope defined for the conduct of the testing of Workbrain? ---Yes, it would have been saying, "These are the tests that we want to do. This is the environment in which we want to do it."

All right. Can I ask you to go, please, to page 7 of that document?---Yes.

To the overview?---Mm'hm.

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And it says, "The original SSS solution design for non-rostering agencies relied solely on the SAP application for award interpretation processing"?---Correct.

Based on actual payroll processing results for the Department of Housing and extrapolating these to include the remainder of non-rostering agencies, it became evident that the SAP application would be unable to process the award interpretation function within an acceptable time frame to meet SSS business requirements?---Mm'hm.

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Now, can you tell me, please, when the Department of Housing first utilised actual payroll processing such that it would have results?---In this solution? Again, I don't know the exact date, I can't recall it, sorry, but it would have been mid-2006.

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Right. So presumably it's going to be fortnight or thereabouts?---Yes, yes.

And by the time - by mid-2007, would it be right to say, it had become evident that it was a costly or time-consuming process to do so in the Department of Housing?---It wasn't costly; it was time-consuming. So the issue was to run the actual payroll, so you set it off, it's a batch job, it runs overnight. The number of hours that it took to calculate the pay, if you extrapolated that out to other agencies of particular size, then it wouldn't have been completed in the window available. So it was a time issue, not a cost issue.

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Okay. Well, can I ask you these questions: SAP's programming language is something called ABAP, A-B-A-P? ---Yes.

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And for Housing, that is the Department of Housing, for the award interpretation, it had to be programmed in that ABAP language. Yes?---Yes.

And that involves a SAP programmer to do it?---Correct.

And for extremely complicated awards, that would require a substantial amount of programming in ABAP?---Yes.

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And it would require that to be done any time there was a change to any award?---Yes. There's a combination of configuration and I'll call them customisations, the ABAP programming, and it depends whether change is required, but in many cases it would require a technical programmer.

And that, at least from an IT point of view, is a more complex thing to write a program in ABAP than it is to simply enter rules into a rules or award interpreter? ---Yes.

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Okay, and additionally there is the difficulty of the time it took SAP to run the batch for the Department of Housing? ---Correct.

Which had a small payroll and very simplified awards? 1
---That's correct.

So that one could agree - you'd agree with what's said in this overview paragraph I've just taken you to?---Although, at this time, we had been working with SAP on rectifying that situation and I believe there were solutions that SAP were offering to rectify that, but it's not incorrect because SAP hadn't proven that those rectifications were effective. 10

Well, let me put it slightly differently. This time there's a document which is sometime in 2008?---Mm'hm.

Can we just cast our mind back to the middle of 2007? ---Mm'hm.

You'd agree then that it had become by then evident that the SAP application would be unable to process the award interpretation functions for other - across other departments within an acceptable time frame to meet the SSS business requirements?---Unless SAP could provide a fix, yes. 20

Unless they could fix it and prove that they can fix it? ---That's correct.

Right. And that was the state of knowledge at the time of your evaluation in 2007?---That's correct, yes. 30

Okay. Now, would you turn across, please, to page 9. And at the top of the page, there's a piece of artwork which has attempted to describe the operation between SAP and Workbrain?---Yes.

Help me, please, do the initials - is it CSV? It's a bit unclear on my copy?---Yes. That would just be a file that's been transferred between the two environments.

What do the initials CSV stand for? Comma separated values?---Yes, I think so. 40

Just data - - -?---Data.

- - - separated by commas?---That's right.

Okay?---So what would sometimes be called a flat file, just a straight file passed across.

Okay. And then we see that the way this diagram presents itself, you've got the SAP system at the bottom?---Mm'hm. 50

It's communicating that data ultimately to Workbrain, but it passes through something called XI?---Yes.

Is that an exchange interface?---Interface? That would be correct. **1**

And it passes that data on in the same CSV format?---It would be in the same format but it would manipulate that data, so it might have some mappings or something like that.

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But the diagram at least suggests that the data is able to be communicated via that exchange to Workbrain?---Yes, absolutely. 1

It does what it does?---Yes.

And then it's able - if you see the right-hand side of the diagram, retransmits CSV data to SAP?---Yes, and I believe the Xi solution was an IBM product. 10

One of the things which - tell me, the scoping that you did extend to identifying that one of the things you wanted to check by this test was the capacity of SAP to interface with Workbrain?---Yes.

The things that you wanted to find out about were scalability in terms of size?---Mm'hm.

Its ability to handle the awards in terms of complexity?---Yes. 20

And its ability to communicate with SAP?---Yes, and I think the second one was the most critical.

Of course and that - - -?---I think - sorry - I think the first one was probably well address with the previous documents we had seen, we were fairly confident about its ability to handle the size of the payroll we were talking about. We were given a number of sites in the US where it was used but certainly, payroll interpretation and then that integration back to SAP was the key. 30

Okay. So the testing that your group had in mind which was to be part of the contractual process was to address those three things, although the first one probably wasn't that important?---That's right.

If you had a role in scoping, you would have made it plain that's what the testing was to do?---Yes. 40

Now, you left - so you weren't further involved in the process?---That's right.

Mr Commissioner, on the next phase, you will obviously learn that that process was completed and passed but I will deal with that - - -

THE COMMISSIONER: Tell me if this is right: I thought it was established that in fact one of the problems was the payroll, when it went live in March 2010, was that there wasn't an adequate integration between Workbrain and SAP. That's one of the reasons the thing failed, as I say. Is that right? 50

MR DOYLE: It's not my - well, that's for another day, I suspect. I don't believe it did so but we will obviously explore that later on.

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THE COMMISSIONER: All right.

MR DOYLE: Now, just a few more things, if we may. Do you have your statement with you?---Yes.

One of the things we touched on yesterday was your note of the paper that you used as the thing that you discussed with - to remind you of the things that you discussed with Mr Bradley? ---Correct.

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Do you recall?---Yes.

A number of the points that you identified that needed to be discussed concerned the identification of the scope of what was to be done and the resistance of the departments and agencies to commit to scope and to stick to it, essentially? ---Yes.

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Okay. If you turn to page - sorry, to paragraph 49 of your statement, you told the commissioner that it would have taken six to nine months to identify the business requirements of Queensland Health but only if there was strong change management and support within Queensland Health. Now, should we understand the reference to business requirements, to identify the business requirements, to mean to identify what it is that that particular agency wanted within its scope?---Yes, building on what we had as a scope for the standard offering, so we had a base scope, what do they want over and above that.

30

What are the optional extras that they needed?---Yes, and that would be using the processes that we had been using previously.

Very good. Your apprehension was that unless that was done at the outset, that is unless that was defined and committed to, the base scope would be such that you could confidently predict, unless the departments were strongly constrained, would be sought to be changed thereafter?---That's correct, yes.

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Particularly with Health?---Yes.

Good. Can I ask you to go to a few documents now, please, back to volume 30?---30?

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30, yes. Excuse me, Mr Bond. If you can turn, please, to page 1248?---Yes.

Sorry, just to put this into context, can you turn back to page 1245?---Mm'hm.

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You will see that this is an IBM response, dated 12 October, so we can put it as being a response to something that the various teams have asked for?---Correct.

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And in the course of the evaluation process?---Yes.

I want you to turn to page 1248 now to question 5, or topic 5 where you will see it says, "Agency-specific requirements for Queensland Health are not available and were not specified in the ITO." Now, I pause to say you know that to be true?---Mm.

10

Okay. Then it says, "You have provided your price for the same. Please give a break up of scope requirements considered or assumptions made in arriving at the same." Do you see that?---Yes.

And then under the heading Agency Specific HR Development - now, we're talking about Queensland Health here. I want to take you down to the passage commencing, "We identified Health to be a high complexity agency and based on this assumption, the break-up of WRICEF items was - - -"? ---Mm'hm, yes.

20

And they nominate certain things?---Yes.

Now, before we get too far ahead, can you tell me what WRICEF stands for, or can I help you?---The acronym stands for - and I can't recall exactly what it is, but essentially it is for things such as reports - so it's additional functionality that varies from agency to agency, so each agency needs - they made need different reports, they may need different interfaces, they may need certain enhancements to support that agency, so they are additional items over and above what they would get normally.

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Okay. Workflow Reports Interfaces Conversion Enhancement Forms?---Good, you've got it.

No, it's not me; I tried, I can assure you. Anyway, you will see that IBM told the evaluation committees that they had assumed in total 50 of those; 15 forms, 15 reports, 5 interfaces and 15 enhancements. Do you see that?---Yes.

40

Then it says the estimates for Health interfaces were developed using the data provided by CorpTech and there is some information provided?---Yes.

In this document, two interfaces were identified for Health, so fewer interfaces, using the above assumptions the number of agency specific WRICEF items identified at cost of the Health was 47?---Yes.

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Now, if there was later - the department decided it wanted more things, every time it wanted more, that would be an additional WRICEF or WRICEFs, so to speak?---Correct.

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And if you wanted, let's assume, another 200 WRICEFS, that would be a huge change?---Yes. 1

Even more so would it be a huge change if you wanted those 200 but you asked for them in, say, five now and the technology people went and wrote those extra five, then you asked for five more, you would really have to start again. Is that right? Or largely start again?---No. It would depend where they sat, so if you asked for five reports now and you asked for five more reports later, the first five reports are independent of that. 10

Okay?---So it really depends what you're asking for but it would be easier to design if you knew upfront everything that was required.

Of course. Axiomatically, much more costly and time consuming if you are told what you have to design as the job progresses?---Yes. 20

It's right to say, isn't it then, that there is at least some of the nature of WRICEFs that if you asked for them, you may have to revisit work that you have already done?---You may have to, yes, particularly around the forms space and probably maybe less but some of the interfaces might impact on each other.

Okay. Now, I'm not suggesting that's the entirety of what you had in mind when you spoke about concern about scope changing - - -?---Mm'hm. 30

- - - but this is a clear example, is it, of the kind of thing you had in mind?---Yes, yes, where there was only a certain amount of work done to come up with that number, if I say 47 for the sake of it, what was the level of confidence that it wasn't a lot more than that. 40

And that's the kind of thing that the department would know or should know, I suppose, what it's requirements were?
---No, I wouldn't have said that. You would assume, but the complexity is that no one person probably knows how the payroll works in its entirety because it is so complex, and to gather all the requirements of all the needs is very, very difficult.

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That's the nine to six-month period you spoke of?---Yes.

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Even then you miss some, I suppose?---I would think so, I would think that would be very aggressive to get that in that time frame.

All right. One more document I'd like to show you in that volume, page 1421. I'll just ask you one more question about the document I've just shown you, you don't need to go back to it. Do you recall if that's something that came to your evaluation committee, that clarification to number 3?---I would think so. I can't recall seeing every document but I would think that one we'd use.

20

Okay?---1421.

1421. I'm sorry, again, to put it context go to 1420?
---Yes.

You'll see this is clarification also, this is 18 October. Again, we can assume this is a response to some questions that have been asked of IBM?---Yes.

30

And the part I want to direct your attention to at 1421 is the response to item number 2 - - -?---Yes.

- - - which is the costings, or the ranges of costings, for RICEFs. Do you see that?---Yes, I do.

And there's a column that divides it between complexity, and then depending on what kind of thing you're talking about, workflow report, interface et cetera?---Yes.

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You get the dollars?---Correct.

Is it right to say we should be looking for Queensland Health under the column of complexity, which means "very high"?---No, RICEFs will vary from request to request.

Okay?---So some, even in a complex environment, might be very simple, you know, "Print me out a report of all employees." So some might be very simply, some might be very complex, it's case by case.

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So it depends on the particular thing you ask for, which price - - -?---That's correct, yes.

All right. And there's a range of prices, and we can all read them, starting from very low figures in just over 1000 to more substantial figures"?---Yes.

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Is this something that came to your team?---I can't recall.

Can you turn page - - -?---There are some aspects in this document that would have, definitely, but whether pricing was pulled out before it was given to us, I'm not sure. So I'm sure components of this document came to our team, but pricing was fairly guarded early.

10

I see. Well, turn to page 1423?---Yes.

There's a response to item number 7. That's something that would have come to your section, I take it?---Yes.

Okay. It might have been that there was redaction of this document - - -?---Yes.

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- - - of some parts before it came to you?---Yes, by the coordination group.

Just excuse me, Mr Commissioner. So if we can just focus for the moment on the concerns you had about Workbrain, the commissioner ought to understand that you made investigation of those concerns?---Yes.

You made requests of IBM for information?---Correct.

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They've provided some referees - - -?---Yes.

- - - which you pursued?---Yes.

Either it provided or you had some documents that I've taken you to?---Correct.

Your concern was its capacity to deal with awards, complicated awards, in a large workforce?---Yes.

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Queensland Health is unique, or at least very close to unique, in its size and complexity of awards?---Certainly in Queensland, yes.

And you weren't given data for directly comparable employment environment?---No.

It's not as if IBM said, "This is the same"; it gave you - - -?---No.

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- - - what it had?---That's right.

And you had concern about something?---Yes. So some of them were very good from a scale perspective, some had awards in them, but there wasn't a combination of the two.

I understand. And the solution that you and the government arrived was to have a test conducted - - -?---Yes. 1

- - - which was done, and additionally, you had a concern, quite a different concern, about whether the prime contractor process itself was suitable to an environment where scope had not been defined. Yes?---The prime contractor approach, yes.

Approach?---Yes. 10

What did I say, I'm sorry?---I'm not sure, but I don't want to imply that the evaluation was a concern for me, it was more the approach to using the client.

Having one at all - - -?---That's right.

- - - because of the lack of definition of scope?---That's correct. 20

And that's because of the vast variety of scope that the various departments had?---Yes.

The lack of articulation of that scope, the risk that, that meant that you would have a scope defined with subsequent changes?---Correct.

You or one team asked IBM specifically in relation to Queensland Health what its costing had been for RICEFs for Health?---Correct. 30

And you've seen now, you were told precisely what that was? ---Yes, I can see it in the document.

I have nothing further.

COMMISSIONER: Mr Flanagan, anything in re-examination?

MR FLANAGAN: Thank you, Mr Commissioner. 40

You were taken to a number of document provided by IBM to the evaluation panel, and more specifically for your sub teams by way of clarification. You also previously given evidence of Mr Burns addressing the team leaders of the various sub teams?---Yes.

I'm just looking for assistance from you. Having looked at the documents and been taken through those documents provided by IBM by way of clarification, was it Mr Burns' intervention or was it the contents of those documents that caused you and your teams to change their scores and their evaluation so that IBM lead your evaluation as opposed to Accenture - - -?---Yes. 50

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- - - or a combination?---Yes, well, I would say it's a combination. I think early on and - I think, you know, we were looking at the evaluation based on what we knew, Terry encouraged us - sorry, Terry Burns encouraged us to look at it more broadly, but in looking at it we then had some doubts which we sought clarification from IBM on.

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Can I just be a bit more specific about them? Could you just take up volume 19, page 130? It's a document we've been to before, Mr Bond?---What page, sorry?

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130. It's an earlier assessment by the technology team based on the assumption I'd outlined before, but it's at a time when Accenture was leading 3.25 to IBM 3. But one of the matters identified in relation to Workbrain is this, "With respect to payroll processes, the IBM proposal introduces more integration points and is higher risk." Do you see that?---Yes.

If I start with page 93 from there, if you look at item 12, "The proposed Workbrain approach (if verified) will provide real time update of award interpretation on approval of time sheets"?---Yes.

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"This will enable less batch processing time will be required in the back end SAP system." From there, may I ask you to turn to page 133?---Yes.

At item 12, now, we'll see that the words "if verified" are taken out:

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The proposed Workbrain approach will provide a real-time update of award interpretation on approval of time sheets. This will enable less batch processing time will be required in the back end SAP system?

---Yes.

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In relation to those changes, the first significant change is that the IBM proposal in terms of the use of Workbrain and using the awards implementation in relation to Workbrain is initially described as high risk?---Yes. 1

What part of this material or was it this material by way of clarification from IBM that caused you and your sub-team to remove those words "high risk"?---I think the collection of documents that we have seen provided us with a level of comfort - not complete comfort, but a level of comfort, that if this was possible it would be a suitable solution. But we - - - 10

COMMISSIONER: But that was always the case, wasn't it? If it was possible, it was a great idea. I thought your concern was the possibility that it mightn't work?---That's correct, and that's why we asked for this - if - I used the word - you know, the words were "if verified", that's why we asked for a verification process. 20

Well, were you satisfied in the time between the writing of these two assessments there had been verifications?---Not at all and I don't know how that "if verified" was removed. I can't recall removing it and I'm not sure why it was removed. 20

MR FLANAGAN: My question is more direct; the material that my learned friend just took you to, did it, in your own mind at the time, and for you speaking for your team, verify the IBM solution?---I didn't verify the IBM solution; it gave us confidence that the IBM solution was possible but it didn't provide verification. 30

And had such verification been provided, would there have been discussion at all about contractual terms in relation to this particular solution?---I think we would have always asked for a proof of concept so that we could see it working for ourselves, even if there was a site that we could go to and see it working in another environment, we would always want to retest that ourselves. 40

In response to one of Mr Doyle's questions, you actually identified the document he was showing you as the type of marketing material one would expect - - -?---Yes.

- - - from an entity selling that particular product. Yes? ---That's correct.

Given that you identified it as marketing material, how did you assess the information that it contained, for the purposes of an evaluation of a \$200 million contract? ---Yeah. So it involves that material; it involves more detailed material from vendors. We had previous material from vendors when we went through the product selection. We used Gartner to provide us information around the suitability of products. So we used a number of sources of 50

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information to try and give us a level of satisfaction to verify whether this suggested solution would be suitable. We got to a point where there was a degree of confidence but not 100 per cent and that's why we asked for the proof of concept or the verification work to occur as part of the contract. There was a strong push to have the contract signed by a particular date. Ideally, that would have been done before the contract was signed but the push to have the contract signed overrode that and so we made it a condition of the contract.

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And my question is, though, having regard to this material, some of which you've described as the marketing material, how was it that material being provided to your evaluation panels, for the purpose of clarification, was sufficient to change the scoring as between Accenture and IBM when, according to your own evidence, verification had not been given?---If the IBM - taking the ability of Workbrain to do the award interpretation point, if that was possible, the IBM solution was extremely attractive. It had a much reduced time frame and would lead to implementation, you know, much earlier than the Accenture offer. While we didn't see dollars early on in the evaluation, it's not hard to sort of think, "If they're going to do this in" - and I forget the time frame - - -

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COMMISSIONER: Mr Bond, we're going in circles. You told us this yesterday and we all understand it, I'm sure. Mr Flanagan wants you to tell me what led you to rank the IBM ahead of the Accenture one - - -?---With the material - - -

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- - - when you say that the claim that Workbrain would work effectively with SAP, it was an untested hypothesis? ---It was untested but there were claims by IBM that it was possible; there was IBM saying that they had sites where this occurred; and they provided documentation supporting it.

Were you encouraged by what Mr Burns had said to you to put your faith in the IBM solution?---Yes.

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MR FLANAGAN: As innovative?---Correct.

Unless you have anything further, Mr Commissioner, may Mr Bond be excused?

COMMISSIONER: I thought I was being very good about not asking questions.

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MR FLANAGAN: You've been extremely good.

COMMISSIONER: Yes. Mr Bond, thank you for your assistance. We're grateful to you for it. Thank you.

WITNESS WITHDREW

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MR FLANAGAN: Mr Commissioner, I call Philip Hood. 1

COMMISSIONER: Yes, come forward, please.

HOOD, PHILIP JAMES sworn:

COMMISSIONER: Mr Flanagan.

MR FLANAGAN: Thank you. Would you give your full name to the inquiry, please?---Philip James Hood. 10

And Mr Hood, what is your present position?---I'm executive director of the payroll portfolio in Queensland Health.

And when did you come to hold that position?---I commenced that role on 1 July 2012.

Thank you. You hold a degree of bachelor of computer science from the University of New England in Armadale? ---That's correct. 20

And you have two graduate certificates in information technology from the Queensland University of Technology? ---That's correct.

And, sir, you were employed, were you not, at CorpTech from around 1 July 2003?---Yes, that's correct.

And you subsequently, at CorpTech, became, in September 2005, the deputy executive director of CorpTech? ---That's correct. 30

And for the purpose of this commission, you have provided a statement together with attachments?---I have.

Can I show you this, please? Do you have a copy of your statement?---I do have a copy, yes.

I can give you a copy, in any event. It's a fairly extensive statement with extensive annexures but are the contents of that statement true and correct to the best of your knowledge and belief?---They are. 40

I tender that statement, Mr Commissioner.

COMMISSIONER: Yes. Mr Hood's statement will become exhibit 11.

ADMITTED AND MARKED: "EXHIBIT 11" 50

MR FLANAGAN: Mr Hood, part of the annexures to your statement include certain correspondence that you had with Talent2 in relation to ongoing LATTICE support?---They do.

I won't take you to that correspondence because we've been through it already with another witness, but suffice to say

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that you and Mr Bond went down to Melbourne to negotiate with Talent2 for the continuing support of the Health payroll LATTICE system. Is that correct?---That's correct.

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When you came away from that meeting, you thought you had some sort of handshake deal in relation to continuing support through to June 2011?---I left the meeting with the view that we would be provided with a commercial proposition for the support of LATTICE for the next three years.

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Now, given that the support that you were looking for was an ongoing support in relation to the existing LATTICE system. Is that correct?---Yes.

Were you contemplating in your negotiations with Talent2 an upgrading of the LATTICE system, which was part of the proposal?---No, we were looking to continue the support of the existing LATTICE solutions. I think Talent2 had a preference or would like to have seen an upgrade to their latest product.

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I might just take you to annexure E of your statement. May I invite you to read the paragraph that commences with, "Since our meeting on Friday, 27 July 2007"?--Yes. 1

As I read that photograph, and you can correct me if I'm wrong, but from your own recollection was it the case that your negotiations with Talent2 in Melbourne were only for the purpose of seeking technical support for the existing LATTICE system?--That is correct. 10

It was no part of your negotiation, given what was happening in the shared services initiative roll-out, to seek to have the existing LATTICE system upgraded to the Alesco HRIS system?--No, it was not.

And, indeed, it couldn't be because any such upgrade from LATTICE to Alesco HRIS would have been contrary to what was envisaged for the whole of government roll-out of the shared services solution, namely, SAP and Workbrain, correct?--Correct. 20

And it would have been known, would it not, to the person you were dealing with at Talent2 in Melbourne that by at least July and August 2007 the government was looking at a prime contractor using particular modules that had been previously identified as early as 2005, namely, SAP and Workbrain?--I don't know whether Talent2 would have been aware of the prime contractor model, Talent2 would have been aware of the previous processes that had been entered into to select replacement products. 30

From your own recollection, was it part of the negotiation with Talent2 that there was a reluctance to provide the ongoing support for LATTICE unless CorpTech were interested in upgrading to their own system, namely, the Alesco HRIS? --I believe that to be the proposition that was put.

Mr Hood, we know for a fact that the LATTICE in Queensland Health remained supported until March 2010, which was the go live date for the Health payroll system which included SAP and Workbrain. You've told us your knowledge of the breakdown in negotiations for the continuing LATTICE support beyond June 2008, but from your own knowledge how was the ongoing support for LATTICE achieved by CorpTech through to March 2010?--So after Talent2 advised that they were ceasing support of what is called "HRIS" for LATTICE, in a letter of 3 January 2007, there were a number of discussions about what that would mean. There were also discussions with other customers of using LATTICE. When it became obvious that Talent2 were not going to continue support, a project called PJ 30 was established. PJ 30 stands for "post June 30", the date of the end of support, and CorpTech established the processes necessary to support the software once then the support ceased in what, at that stage, was June 2008 and subsequently became a date three months later. 40 50

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Who headed up that project?---That project was headed up by, I believe, Roland Smith, who was a member of CorpTech staff.

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Now, did CorpTech ultimately obtain the necessary codes from LATTICE for the purposes of supporting and running the LATTICE payroll system in Health?---Yes, not just Health, I should point out; there are two other instances of LATTICE running in government, so the contract covered the other instances as well. Yes, under the terms of the contract, from what I can remember, there were Escrow provisions, and at the cessation of vendor support CorpTech was provided with source code for the application which was taken out, which had been held in Escrow, and was subsequently provided to CorpTech to enable us to manage the application at the base level.

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Now, at Queensland Health payroll there were three subcontractors who supported, or had the knowledge to support the LATTICE payroll system, is that correct?---I'm not aware of - could you clarify the subcontractors? Are these people that were working for Talent2 or - - -

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Yes?---There were a number of people at Talent2, I wasn't familiar with the structure of Talent2, but there were core employees of Talent2 who specialised in the support of the LATTICE product, yes.

From your own knowledge, was CorpTech, through this project, able to obtain their services?---There was services provided to CorpTech to transition from Talent2 to CorpTech in training, in an understanding of the development environment and the necessary activities. Subsequently, I believe CorpTech did employ a person from Talent2 at a later stage through an open market process.

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Quite apart from the ability simply to support LATTICE up to March 2002, can you tell us the difficulties that were being encountered in that support both in terms of fear of failure of the LATTICE system and the difficulties in LATTICE achieving accurate and timely payrolls for Queensland Health?---From what period of time?

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From June 2007?---LATTICE is a very complicated and very large payroll solution. We did experience challenges at times in operating it, both from a point of view of technical but also Queensland Health in operating the payroll, and I wasn't in Queensland Health at that time. There are always technical challenges with large, complicated applications. I don't specifically recall any specific instances but there were technical problems, we did have issues with hardware and the like, but it was still operating effectively as Queensland Health's payroll solution at that time.

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Right. We've heard some suggestion that given Talent2 were withdrawing their support for the LATTICE payroll system at Queensland Health and other departments from 30 June 2008 onwards, that constituted or created a sense of urgency in bringing the Queensland Health payroll project forward in terms of the shared services initiative. What can you tell the commission about that?---With a software solution as large and as complex as the LATTICE solution, best practice would dictate that it was under vendor support. The vendor built the solution, the vendor has the greatest knowledge of how that solution is operated. When the solution becomes non-vendor supported, the total risk for that solution moves from the vendor or from a risk sharing proposition between the vendor and the customer to basically the customer. So when it went out of vendor support the risk became of Queensland government, and that would be one of the serious consideration it was not supported by the vendor.

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Did that, in your mind at least, given your position as the deputy executive director of CorpTech, cause you to think that the LATTICE payroll system at Queensland Health would fail?---No, no. I was comfortable with the processes that we had put in place. I was confident in the team. I was uncomfortable that the solution was not vendor-supported and if we reached or experienced issues that we could not deal with, that we didn't really have anywhere to go. 1

Now, you would know from your position as deputy executive director of CorpTech that there were various stages in relation to the Shared Services rollout. Is that correct? ---That's true. 10

That rollout was to see the HR payroll solution rolled out in a number of departments prior to Queensland Health being tackled?---Ye, I believe in the earlier schedules, that was true.

Yes. We have shown you before, and I won't take you to it again, but there was an April 2007 review done by Arena Consultancy through Mr Uhlmann which recommended as its prime recommendation that the Health payroll system or the rollout in relation to Queensland Health not be brought forward. Do you recall that recommendation?---No, I don't specifically recall that recommendation. 20

All right. Do you recall a similar recommendation being made by Mr Burns in his May 2007 report, namely that the Health payroll system rollout not be brought forward?---No, I don't specifically recall. 30

Can I ask you this question then: can you tell us why the Health payroll was actually brought forward from its initial rollout date that was intended?---Not specifically. From my view, it would have been around - I would believe around the risk of an unsupported - a non vendor-supported solution.

It wasn't driven by you, for example?---Not individually, no. My position or my view would have been one of those that would have been considered, I would have imagined. 40

What was your view?---My view is that I was uncomfortable with having to support a non vendor solution of the complexity of the LATTICE payroll solutions.

Yes. Can I take you then directly to your participation in the evaluation of the ITO? First of all, can you tell us what was the role of Ms Perrott, the executive director of CorpTech, in the evaluation process?---Ms Perrott would have been - was, I believe at that stage, either the general - the executive director, acting executive director of CorpTech at the time and as the head of CorpTech, would have been the sponsor of the process. 50

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What does that mean?---Well, ultimately at the end of the process would have a role in progressing the outcomes of the process through to their conclusion.

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Who led the process?---The process was - the ITO process?

Yes?---The ITO process was led by Terry Burns.

All right. In relation to the ITO, did you have any part in drafting the Ito itself?---Yes, I did.

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What parts did you draft?---Predominantly operations and support. I would have provided commentary in background material and also in the specific questions around operations and support.

Were you supplied any material to assist you in drafting that?---I actually provided some material in the drafting because I had participated in previous ITOs - not for the same, but for how questions might be structured or in a formatting point of view.

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Right. Now, for the selection criteria, you dealt with governance, is that correct?---No.

Sorry, no, you dealt with operations and support as you have just said?---Yes, correct.

In relation to that particular sub-team, did you draft a selection criteria?---Myself and my team member and others would have contributed to those but yes, I would have had a significant input into those.

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All right. How many people on your team?---Two people on the team that actually did the assessment. There may have been others that contributed to those selection criteria earlier.

And who are they?---On the team? The team member was Roland Smith.

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Okay, thank you. Now, can I take you to in this order, please; can we start by taking you to volume 19, page 41, please, Mr Hood? You will see there that yourself and Mr Roland Smith have put in various scores for Logica, Accenture and IBM. Do you see that?---Yes.

We don't know what the actual date of document is but it would seem to be dated at the very top, 4 October 2007. Do you see that?---Yes, yes.

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The scores there are 3.48 and 3.32 and the recommendation of the panel is that the panel recommends that Accenture be considered as the offerer of this category and if you look at justification for subcategory 1:

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Proposed reduction in production sets could simply support operations and vendor and contract management. Accenture has demonstrated a strong understanding of the design build and implement components of the Shared Services Solution program.

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Do you see that?---Yes.

From there, may I take you then to page 40, and at the very top of that document you might be able to see it says version 1.3 which is the same as the other version but it has got the same date, 4/10/2007. Do you see that?---Yes.

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The time, though, justification for subcategory 1 is slightly different although you will see that the scores are the same. Yes?---The scores appear to be the same, yes.

But the justification subcategory 1 has changed so it now says:

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The product mix proposed by Accenture which seeks to replace RecruitASP and Saba with SAP core products did not reduce the overall solution complexity of support and operation when compared to the current product mix. The benefits of the proposed SAP product -

I think it sets, is it?

did not outweigh the benefits of investment and support capability which has been developed with CorpTech. In addition, the proposed use of Workbrain as the award interpretation engine will simply ongoing support and maintenance of the complex award requirements of Queensland Government. For these reasons, IBM record higher than Accenture on this subcategory.

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Then if you go under justification for subcategory 3, that has been added and then finally for the overall summary:

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IBM's proposed use of Workbrain as the award interpretation engine for all agencies but especially those utilising LATTICE and importantly Queensland Health provides the greatest mitigation against LATTICE support risk.

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And it says:

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When assessing the three subcategories across the Accenture and IBM offers, the scoring –

sorry, is that "scoring"?

COMMISSIONER: "If the scoring slightly favours Accenture."

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MR FLANAGAN: Yes. Thank you, your Honour.

The scoring slightly favours Accenture due to the greater detail provided around knowledge transition, this panel does not believe the difference in the –

Now, it's cut off there. Do you see there? We, however, have been able to obtain, thanks to the Crown Solicitor's Office, better copies of this. If I may give it to you. And may I tender it as an exhibit?

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COMMISSIONER: Yes. Yes, replacement page 40 for volume 19, exhibit 4, will become exhibit 12.

ADMITTED AND MARKED: "EXHIBIT 12"

MR FLANAGAN: So just reading on, it says:

The scoring slightly favours Accenture due to the greater detail provided around knowledge transition. The panel does not believe the difference in the scores between the two offerors to be significant and therefore believes that either Accenture or IBM would be suitable as prime contractor for operations and support.

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Do you see that?---Yes.

COMMISSIONER: Might I have a copy?

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MR FLANAGAN: Oh, didn't you get a copy, your Honour?

COMMISSIONER: No.

MR FLANAGAN: Sorry.

COMMISSIONER: Does that leave you with one?

MR FLANAGAN: Hm?

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COMMISSIONER: Does that leave you with one?

MR FLANAGAN: Yes, it does.

COMMISSIONER: Thank you.

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MR FLANAGAN: It leaves me several. So, Mr Hood, it would seem that for a document dated the same day and I'm not suggesting for a minute that there's any significance in the fact that it's dated the same day because the dating on these documents, in terms of a tender registry, doesn't seem to be existent at all, but it would seem that the scores don't change but one has Accenture as ahead because of the scoring and saying, "We are recommending Accenture." The second, which seems to be later in time only because it contains more detail, has the same scoring with Accenture still ahead but says, "Because of the slight difference in scoring and by reference to Workbrain, that either IBM or Accenture could be recommended under that particular category." Now, do you have a recollection of that?---Not specifically but the ITO process was iterative. There were a number of stages that were gone through in the scoring process, but I don't specifically - and there was a draft - and then there was a draft stage and a final stage, from my recollection.

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Can you assist us with this, then: it is correct to say, isn't it, that one should not take any notice of the date on those documents as holding the same date?---Yes, I can't explain why the two documents, unless they were indeed produced on the same date, have earlier - and I have not had access to this specific document prior to today, so I really don't understand why that had the same date.

20

Just testing your memory, then, did you, as part of this process for operations and support, seek further clarification from any of the tenderers?---I don't have a recollection of seeking anything specifically from them. There was a process for that to be done and there was also a process for the tenderers to seek clarification from the issuing body.

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Yes, but for your particular operations and support, do you have any recollection yourself of your team seeking clarification from any of the tenderers?---I have no recollection of that, no.

40

No. How did you do the original scoring, then? Did you actually sit down and read the tender documents?---Yes. From my recollection, would be the tender documents would have been provided to us without - and not have been complete. They would have been provided to the assessment teams to enable them to make the assessment of the specific questions in the specific categories that they were scoring.

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So did you as the deputy executive director of CorpTech have access to the full response proposals from the three tenderers?---No, I don't believe so. As the - I was not sitting on the ITO selection process as the deputy executive director but rather as the person who led the

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support organisation of CorpTech, so I was just one of a number of team leads in that process. 1

I think my question is more specific. When you did your initial scoring for operations and support, had you read those parts of the proposals from IBM and Accenture that related to those topics?---Oh, certainly, yes. To do that, one would need to have read them.

And you scored it and you recommended Accenture. Yes? 10
---Yes, the team did.

Given that you don't have any recollection of seeking clarification by your team, I need to know: what caused you to change the recommendation from Accenture to, if you like, almost a joint recommendation for either IBM or Accenture?---I don't have a specific recollection of why that would have occurred. The scores, I note, according to this, and they appear to be the final scores, did not change. As I said previously, the comments were drafted and then refined for the final document, but I have no specific recollection other than the closeness, the scores were very close in our assessment. 20

Yes, but the scores are close to start with when you recommend Accenture. Yes?---The scores, I believe, did not change.

Yes. And you recommend Accenture based on Accenture having a higher score having evaluated the two tenders or the three tenders?---Yes. 30

I want you to turn your mind to recalling why, given that the scores didn't change, that the recommendation changed. You must have a memory of that, surely?---No, I don't have a specific memory of the - the comments have changed but the overall recommendation of the team did not change, the recommendation of the team remains that Accenture was the - from an operation support team, was the team that was put forward, is my understanding. 40

Well, it actually doesn't say that, does it? It says, as we've just read out to you, "The panel does not believe the difference in the scores between the two offerors to be significant and therefore believes that either Accenture or IBM would be suitable as prime contractor for operations and support. Now, forgive me, but I read that as a recommendation by your particular sub-team that you can choose either IBM or Accenture in relation to this particular topic of support and operations?---This document does but it's my understanding this is a - I'm not sure where this document actually sits in the final - I did - my team did sign a team evaluation report, which was the final document that we signed and it is my recollection that is the document that does say that Accenture was - - - 50

Did you write this document, did you write those comments, then, for subcategory (1), (2) and (3), and did you write an overall summary that suggested you could pick either IBM or Accenture?---The team - the selection team would have written those, yes, and I would have been part of that.

1

Do you have an actual recollection of writing the report under subcategory (1), (2) and (3) for the document I'm showing you?---I don't have a specific recollection of the date that was done but I do not dispute that they are my - that that is the outcome of the process.

10

You see, you would have read the proposals of IBM and Accenture, and you would have known that the solution being offered by IBM included SAP and Workbrain, but Workbrain being used in a way to deal with awards. Yes?---Yes, that's correct.

And that was viewed by some as innovative. Yes?---It was - it may have been viewed by some as innovative. It was viewed, as I think we said, as a less complicated way to implement awards.

20

Was it a proven innovation?---Had it been done before? I'm not aware of whether, in conjunction with SAP, it had been used in that way.

Mr Hood, I need your best recollection now of how you changed the recommendation here by reference to Workbrain. Why did you specifically refer to Workbrain in the second analysis?---Sorry, saying in the second analysis - - -

30

The first analysis doesn't mention Workbrain at all?---No.

No, but you had clearly read the proposal of IBM when you did your first report. Yes?---Yes, yes.

And that mentioned Workbrain, didn't it?---I would believe so, without seeing the document.

40

So why does it suddenly take - not "suddenly take". Why does it take a more important role in the second document I showed you as opposed to the first?---I can only comment that the ITO process of the assessment of the ITO was a stage process involving the individual teams, the teams got back together, there was moderation, and there was a draft phase.

COMMISSIONER: What occurred in the process of staging to make you think that Workbrain deserved mention and level the race between the two?---Sorry, commissioner?

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You explained, which I think we understand, that the process of the ITO evaluation was a stage-by-stage process, but during that process, I was going through stages, should win the bid and that Workbrain wasn't worth

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something changed your assessment from saying Accenture mentioning to saying Workbrain was a worthwhile innovation and that made the two bidders equal in your estimation. What was it that brought about the change is what Mr Flanagan is asking you?---Commissioner, I don't have a clear recollection of why we did that. The recommendation - the words changed but the recommendation that the team made did not change because it was based on scores.

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But it did. You said in the first assessment or evaluation, "Accenture's the better bid." In the second one you said, "They're equal; you can choose either one with equal confidence"?---In terms of operations and support, because of the closeness of the scores.

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MR FLANAGAN: Do you have any recollection of the sub-team leaders, which included you - - -?---Yes.

- - - being addressed by Mr Burns requiring you to reconsider not only your scoring but your assessment by reference to the criteria?---I have no clear recollection of that meeting where that has been put to me. Certainly, as I said in my statement, we, the team, did go back and review as part of the process its scoring, which, based on these documents, does not appear to have changed and I do not believe the overall outcome of the team changed; I believe we had - Accenture was the preferred, based on the scores, was the highest scoring respondent and remained so at the end of that process.

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All right. And just so I can be clear about this, may I take you to volume 22, page 19.

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COMMISSIONER: Page 19?

MR FLANAGAN: Page 19, your Honour.

COMMISSIONER: Thank you.

MR FLANAGAN: If you look at appendix b, which this is appendix B to the final report. Is that correct? If you look at page 1?---Yes.

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And it's identifying overall IBM Australia scored marginally higher than Accenture Holdings in most subcategories. Then if you turn to operations and support, could you read that, please?---Yes.

Yes. That's actually not recommending Accenture, is it? ---That statement is not recommending Accenture.

50

No. Can you take us to the statement in the final report whereby for operations and support Accenture is being recommended as opposed to IBM?---I would need to refer you to the team report, if I may. 1

Yes, please do?---Now, I have a copy of that, the team report, it's not annexed to my statement but it is the team report that each team submitted. Each team was required to submit a report. 10

May I see a copy of that document, please?
Mr Commissioner, we'll just to find this in the bundle.
Thank you, Mr Hood. Volume 19, page 23.

COMMISSIONER: 23?

MR FLANAGAN: Page 25, sorry, your Honour. Page 24, but it starts at page 23.

COMMISSIONER: I'm on 19. 20

MR FLANAGAN: 19?---Sorry, which page number?

And if we look at page 28, is that the recommendation you're talking about, Mr Hood?---Yes.

Doesn't that actually contain the same recommendation that I've been reading out to you from the document I've shown you?---I think it is that the scores determine the last - it's my reading of the last paragraph that it is the scores which will go forward to determine - to be included in the final recommendation in the matrix of final scoring, that is, the recommendation - the scores that were provided by that team or what would go forward into the final matrix for calculation. 30

COMMISSIONER: But you say, "This panel does not believe the difference in the scores, between the two offerors, to be significant and therefore believes that either Accenture or IBM would be suitable." So the scores, really, in the end were so close as to not indicate one above the other, this is what you're saying here, isn't that right?---Yes, commissioner, that's correct. 40

MR FLANAGAN: So my question comes back to this: we still need to know what caused your team, and you as an individual, to change from recommending expressly Accenture to this pros that we have in front of us?---I have no recollection other than that it would have been an iterative process, as I've said, as refining the comments to whether there was as part of the review process a suggestion it wasn't clear, what we had proposed or whether there were changes. But I have no clear recollection of why we changed, however, in my mind our recommendation, based on the scores, did not change in that Accenture was 50

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the preferred respondent in the operations and support area. 1

You're a long-term public servant, aren't you?---I am, yes.

Did you have any level of discomfort in relation to Mr Burns, a contractor assisted by Mr Keith Goddard, a contractor being involved as they were in heading this process?---Not specifically, I'd worked with a lot of contractors, contractors are brought in for specific expertise for specific roles. CorpTech had a large number of contractors engaged for their specific expertise. 10

Were you brought under any pressure to alter your scoring for the evaluation?---Not being present at the meeting but having been put to me and having reviewed the scores, I don't recall whether we were put under pressure but we were either at a meeting or at some other stage directed to, as part of the process, review the scoring, review the assessment process. 20

It would seem to me, Mr Hood, that as a long term public servant you were sufficiently uncomfortable with whatever pressure had been applied to you to change the scoring, but you weren't sufficiently uncomfortable so as to change an expressed recommendation for Accenture. I want to know what was said to you that caused you to change your recommendation, because you have?---I've changed the wording in the recommendation, yes. 30

But if you change the words you change the meaning. You changed the meaning. You said initially, "Accenture should have the offer," and then you said, "You could give it to either of them." What caused that change of assessment? ---Commissioner, I have no clear recollection of why we - whether we felt pressured to change or whether it was as part of the process, I - - -

COMMISSIONER: This was a very large government procurement contract, wasn't it?---Yes, it was. 40

On the offers that came in, in response to the RFP, the government looking close to \$200 million?---Yes.

It's a very large contract however you describe it. Was it, in your experience, for a contract of that magnitude to be managed, or the tender process to be managed by an outside consultant rather than a senior public servant? ---I've not had sufficient experience in tenders of that magnitude to know what involvement external contractors would. There would always be a - likely be external involvement from probity or probity auditors or other specialists. 50

No doubt there is a role for external consultants, but I'm just asking whether, in your experience, it was unusual

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that the actual management of the tender process seemed to have been left to one man who was not a public servant. When I say "one man", the leadership was given to one man? ---Yes, I don't have sufficient experience in large tenders of that scale to be able to indicate whether that was normal practice or not.

1

Thinking about it now, do you think it was a wise thing to do?---The process, I suppose it doesn't necessarily mean who runs the process, the process was extremely well defined for all those participating in the process, somebody had to oversight it. Was it wise? In hindsight, one could say that in future tenders of such magnitude they should be run in a different way.

10

What differences would you recommend?---I think, obviously with hindsight, there may have been a need for a different process. The process is reasonably well defined, it was, was my understanding in state purchasing policy. Whether there needed to be more participation by probity - members of the probity team on site or have a greater role, it was a very complicated but rigorous process and I've not participated in a process of that nature since, of that magnitude since that time.

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Thank you.

MR FLANAGAN: May I just test your recollection once again? The word "Workbrain" is put in your second analysis - - -?---Yes.

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- - - it doesn't appear in your first analysis. Having read both proposals of IBM and Accenture, but especially that if IBM, you would have known about the Workbrain solution proposed by IBM - - -?---Yes.

- - - when you first marked and when you first identified Accenture as being your recommendation by your sub team, yes?---Yes, I would have been aware of the solution; yes.

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Do you have a recollection of someone suggesting to you that you should refer to Workbrain in your second report?--No. Mr Flanagan, can I take you back to the processing? I am not an expert in Workbrain; however, there would have been other teams who were - who would have provided comment in the forum about the complexity of or the suitability and the way that Workbrain might be used. Now, we were assessing operations and support and would have, as part of that process I would believe, have been involved in discussions about the relative complexities of the two solutions because I am not - I am not a rostering specialist, I do not configure SAP. We were looking at how we would have to support the solution once it went live and it may be, and I have no recollection, but there would have been other times who were specialists in the various components of the solutions. Now, whether it was suggested that Workbrain would have been simpler because of how it was to be built and that was explained to us, I don't know but I could put that there were other teams involved who had areas of specialty who were involved and we did come together as my understanding to talk about the overall solution, excluding price.

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Mr Hood, could I put two direct questions to you?---Certainly.

Did any person pressure you to change the scoring of your evaluation in respect to operation and support?---I have no direct recollection of being - feeling obligated to change the scores which we did not do, whether through - whether we were requested to soften the words or change the words, I have no - as you have suggested, I have no direct recollection of being instructed to do so other than, I believe, as has been put to me, we were as - all the teams were, advised to review the process.

30

Was that review called upon at a time when you had already recommended Accenture?---I don't know because I don't know if - I have recollection of attending that meeting but recollection is that the scoring that we had did not - we may have reviewed the scoring but we did not change the recommendation that Accenture was the best informing of the offerers.

40

Did anyone put pressure on you to change your recommendation, your initial recommendation, that Accenture was your recommendation?---Not as such. As I said, I believe that we were advised to review the process.

When you say you don't have a direct recollection and when you say "not as such", you do have some recollection of something being said to you that caused you to look at your scoring and caused you to change the recommendation, didn't it? You do have a recollection of that, don't you?---I have a recollection that the - - -

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Now, can you tell us what that recollection is?---That teams were asked to go back and review their process. Now, I have no direct recollection of the meeting where - as I said, it was put to me that Mr Burns made a statement that all teams were to go back. Now, I have no direct recollection of that meeting, however I have a recollection that however it came to me, my team did review the process of its scoring.

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Who asked you to do that?---I have no direct recollection of whether that occurred at a meeting because I don't recall being at the meeting but I have no doubt that it was - we were asked to review the process because that's what we did.

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By whom?---I don't know, Mr Flanagan.

Mr Hood, by whom?---I do not recall who asked us to do that. Had I been at the meeting and I think I probably would have been at the meeting although I have no direct recollection of that, but if Mr Burns chaired that meeting then it may well have been Mr Burns, but I have no direct recollection of attending that meeting.

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Why isn't that in your statement?---My recollection of attending the meeting?

Yes?---May I refer to my statement?

Yes, please?---I believe it is in my statement at paragraph 69.

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Your evidence there was "I do not recollect such a meeting although if such a meeting occurred, I would have likely been in attendance"?---Yes. As a team leader, if - and there were a number of meetings and I indicated that in my statement in annexures that there were a number of meetings involved in the process over a number of days, but I do not have a - no-one has put to me the date of this meeting was - had occurred.

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The reason that we can't put the date to you of this meeting, is that the reason you can't recollect Mr Burns' intervention in this process?---No, not specifically. There were a number of - there were a number of meetings around the entire process, it was conducted over a short period of time. I think there were - I have calendar entries for evaluation meetings over a number of days but I have no recollection of what meeting, of being at a meeting when Mr Burns said it is - what you have put to me.

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Just once more, Mr Hood?---Yes.

Will you please tell Mr Commissioner why you changed the recommendation?---Mr Flanagan, Mr Commissioner, I have no recollection of why I changed the recommendation.

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THE COMMISSIONER: Do you accept that the change occurred after Mr Burns urged the teams to review the process?
---That is possible, yes. Mr Flanagan, Mr Commissioner, I suppose I'm looking at this from a slightly point of view. The scores, the actual numbers, are what determine the - are fed into the overall matrix which provides the scoring.

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If the scores are so important, why did you say that you could ignore the difference in scoring because they are so close that you can choose either?---I don't believe I said "ignore" - - -

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You can't reconcile that statement, can you, with a statement that the scoring was all important?---The scoring was in our belief - the scoring was such and our assessment was such that there was not a significant difference in the capability of either IBM or Accenture to provide the operations and support component.

That's what you said after it seems Mr Burns' meeting. That's not what you said before the meeting, it seems?
---Well, I don't know when that - as I have no - - -

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The date doesn't matter; it's the sequence that matters. I mean, do you accept now that that was the sequence? Your team came to a view which it expressed, the scoring favoured Accenture and Accenture should have the bid. After the meeting, the scoring didn't change but your assessment of the scoring did?---The commentary ran the assessment did change, yes, I accept that.

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Thank you.

MR FLANAGAN: Finally, did you get some assistance from a person in rephrasing the assessment?---Not that I recall other than Mr Smith would have been a party to the - my colleague, Mr Smith, was on the team. We would have agreed the words that were going forward as we both signed the final team assessment report.

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Did you show those words to anyone before you signed it, the final team assessment report. More specifically, did you show those words as rephrased by you and Mr Smith to Mr Burns before you signed off on it?---I have no recollection of whether that occurred or whether that would have been part of the process through the people that were coordinating all the documentation.

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May I just finally move to price? For the purpose of you undertaking your assessment, you were quarantined from price. Is that correct?---Yes. The pricing was not considered in the operations and support team scoring and my recollection is that was extracted from the documents. We did not see pricing when we were doing our assessment and, indeed, our scoring sheets do not reflect any assessment of price.

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The assessment of price, it would seem in this case, was done by reference, or at least on one level, to the remaining Treasury budget for the Shared Services Initiative roll-out of approximately \$153 million, which included contingencies in CorpTech fees, but for a prime contractor of an amount of approximately \$71 million. May I have your opinion as to - or your view of determining an open - sorry, a closed tender process for a government contract by reference to an existing budget?---Well, I'm not aware that the budget was known. It certainly would not have been known in the tender documents or the ITO documents, from my recollection. Yes, there was certainly a budget of, as part of the Shared Services Initiative, which was being drawn down, but, no, I'm not aware that the ITO process was conducted with a view of price being, as you put it, that are only being 70 or \$80 million left, that that would determine the - would be the sole determinant of the process.

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The difficulty was with such an analysis of a tender for a government contract to carry out the roll-out of the Shared Services Solution or indeed any project would be that you're not necessarily looking at value for money or the capability of the tenderer to achieve the roll-out but you're rather looking at what tenderer comes closest to the remaining budget. Is that correct?---No. I - and if not in my statement, in my transcript, I believe that the reason that price is excluded from the majority is to enable those that are not assessing price to have the clearest view of the best fit or the best response to the offer, not to be clouded by - I am not an accountant. My understanding of how to do the pricing analysis is - was not put to me. We were assessing a specific component of the ITO.

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Sir, would you agree with this proposition, that if you're assessing a particular component of the ITO and a sub-team was to take into account, "Well, this looks a better proposal but it's far more costly, therefore we'll prefer one over the other," that would be a miscarriage?---Price is only one component of the assessment, yes, and in most of - or in the experience that I've had, price is always, as you put it, quarantined so that it is not seen as the single influencing factor in these matters.

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Given your previous experience with ITOs for IT contracts and ICT contracts in Queensland Government, should an

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analysis of a tender process be driven by price alone? 1
---Certainly not.

No, but what about: should it be driven by the lowest price?---No, I don't believe so.

Are there dangers in identifying simply the lowest price in a tender and going with that?---If that - if the sole consideration was to pick the lowest price without anything else, yes, I'm sure there would be dangers in that because 10
you would not be assessing the balance of the offer but merely the cost that had been provided.

That's the evidence-in-chief, Mr Hood.

COMMISSIONER: Thank you. Mr MacSporran?

MR MACSPORRAN: Thank you, your Honour.

Mr Hood, I'll take you briefly back to your statement. Do 20
you have that with you still? When you were being asked questions - I'm not sure if I should wait until that's dealt with. My apologies. Mr Hood, when you were being asked questions by Mr Flanagan about whether there had been an urging of you to change your scores and evaluation of these tenders, you asked to refer back to your statement. Do you remember that?---Yes, I do.

And you drew attention to paragraph 69?---Yes. 30

And does that - that's the part of your statement which deals with the suggestion about this pressure being applied to you to change your scores?---Yes, that's - that was the matter that was put to me.

And you indicated there that when you were being interviewed - and you were interviewed by staff of the commission, were you not?---I was.

And during the course of that interview, this question was raised by commission staff?---No, it was not. 40

Well, in terms of paragraph 69, you simply record, "It has been suggested to me"---When I was interviewed by the commission, it is my recollection that matter was not raised and that subsequently I was asked to provide a separate statement to the commission, but it's my recollection that matter was not specifically raised when I was interviewed by the commission. 50

All right. Well, what you seem to deal with in this statement in paragraph 69 onwards is to deal with the suggestion that there had been such a meeting and so forth. Is that right?---Yes. That was the matter that was put to me at paragraph 69.

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Yes, and you, as you've told us, say there in 69, "I do not recollect such a meeting, although if such a meeting occurred I would have likely been in attendance"?---That's correct. **1**

Then you go on in the rest of those paragraphs in that page to deal with the proposition as to how your assessment was carried out?---Yes, or part of it, yes.

And you referred to various dates and what was done on various dates?---Yes. **10**

So is it fair to say what you were doing is taking on board the suggestion of there being some form of meeting to discuss these scores and then looking at what you actually did in nominating that process to get an answer to your suggestion. Is that a fair summary of what you've done there in those paragraphs?---I sought to explain the meetings and my recollection of the number of meetings from subsequent review of my diary and calendar of the meetings that were being called at the time for the team leaders and for others as part of that process. **20**

And you record in paragraph 71 that, "The scores from the various subgroups would have been discussed at that meeting on 11 October 2007, but I do not independently recall the meeting"?---Yes, I've said that on the basis that I believe the - my diary notes indicate that the draft were to be reviewed on the - the draft scoring is to be reviewed on that date and if all the draft reports were to be reviewed on that date, and if that had been the case, yes, we would have gone through scoring, I imagine. **30**

But is it ultimately the position in your statement that you don't accept or you didn't accept that a meeting with Mr Burns had, in fact, occurred?---No. The inference is not that a meeting didn't occur but that I had no recollection of being in attendance of that meeting.

As you confirmed for us in your evidence, the scores of your team, your subgroup that favoured Accenture did not change through this process?---That's - well, my statement says that whilst the scores may have changed, and I don't have access to all the working documents, I do not believe the overall recommendation to favour IBM based on those scores changed, to not favour - sorry, to favour Accenture did not change. **40**

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So your recollection is that your scoring by your group had Accenture ahead on the common scores?---At all times, yes. 1

At all times. And I think at one point you said it was the score of an accountant in this process?---The scoring - my understanding, the scoring from each team was fed into a larger scoring matrix and would have been combined subsequently with price, so it was the raw scores which determined the final weightings. 10

I'll take you, then, quickly to volume 22, page 9. This should be a part of the final evaluation report. Do you see a heading there 4.3 Weighted Score Outcome?---Yes.

Is that what you're referring to, where the raw scores fall into a system from each of the teams and the outcomes is as set out in this final report scoring?---Yes, there was a process before that, these are five categories, how the scores were group, but, yes, a process. My recollection is that C1, C2, C4 and C5 would have been scored as part of the operations and support component, but I believe price was - C3 was not - we did assess price. 20

They're separate, as you say?---Yes.

Now, I'm not suggesting for a moment that each teams comments are narrative about the relevant merits of the tenders would not be important, but, as you say, the actual scores go into the matrix to produce these weighted outcomes?---That is my understanding of the process, yes. 30

Which he would receive, and we know has IBM ahead albeit by a reasonably small margin?---Yes, that's correct.

And can I take you - going briefly back to your evidence about the LATTICE system, you told us, I think, that you were not uncomfortable when your attempt to send the LATTICE support, vendor support, three years bail?---Yes, that's correct. 40

And you were forced, then, to initiate, as you've told us, project 30?---Yes.

Can you tell us then in a little more detail why you were uncomfortable? I take it had something to do with the level of risk when you don't have vendor support?---Yes, the vendor built or operates the solution, and Talent2 didn't build the original consisto HRIS, I think they bought it. But the vendor is in the best position to support, to resolve problems, to make the changes necessary to keep the solution legislative compliant, with ITO requirements and other requirements. In most HR solutions of this nature, the vendor would make those changes under the terms of the warranty, would provide legislative changes to the organisation and they would implement them in their own organisation. My concern at that stage, and 50

still remains, that there is a shift of risk from - there's a shift of risk and the risk sharing diminishes because Talent2 would not be supporting the product, and if it failed the responsibility to rectify any problems would have been those of CorpTech or the state. 1

With a system such as LATTICE, at that stage was that a significant risk, particularly in respect of the Health payroll?---Yes, the Health payroll remains and was, at that stage, one of the largest payrolls in the sector. 10

And was that a significant factor in the decision to prioritise the changeover in respect of this system, the Health payroll?---It was certainly, I believe, my line of argument that the group that I looked after would have responsibility for supporting that, and obviously we would be seeking to move to a vendor supported solution, you know, as soon as was available to move the risk, to reduce the risk we carry. 20

And as it turns out, you were in the best position to understand the level of risk because you had initiated the project to begin with?---Well, not only initiated the project, I suppose, but one of the groups that I looked after was responsible for the technical operation of Queensland Health's LATTICE solution. 30

All right. Thank you. Thank you, Commissioner.

COMMISSIONER: Yes, Mr Doyle? 30

MR DOYLE: Thank you, Commissioner.

Sorry, Mr Hood, to get asked some of the same things three times. You approached Talent2 in very early 2007, asked them if they would continue their support, or perhaps very late 2006?---Talent2 wrote to me in 2007, and I believe a copy of that letter was supplied in my statement. 40

Would you go to it, please?---Sorry? 40

Would you go to it, please? It's document V to your statement?---Document, sorry?

COMMISSIONER: Is the sequence of it, or the date of any importance?

MR DOYLE: No, not really?---Sorry, the document was?

V?---V? 50

V to your statement?---Yes.

And I'll read it to you, it says, "Currently CorpTech has the pre-existing consisto HRIS support agreement with Talent2, it concludes 30 June 2008." That says, "In

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response to inquiries requesting further extended support post that date, they did some things." Was that an inquiry you made or is that them saying inquiring generally?---We would have been in discussions with - perhaps not myself, but there would have been regular meetings with Talent2 as part of the vendor management process, so there would have been potentially discussions with others about when support was going to end. They had notified much earlier in the piece when support was going to end, I think before LATTICE actually transitioned to - indeed, in May 2004, as they've indicated in their letter.

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Right?---And it was Talent - sorry, LATTICE was not - Queensland Health's LATTICE was not operated by CorpTech at that time in 2004.

Well, thank you for that. From a very early stage, certainly before 2007, someone at Queensland Health, to your knowledge, had become aware that LATTICE was not going to be supported after the middle of 2008?---Well, certainly that was - yes, and the letter confirmed that.

20

Very good. And you made a trip to Melbourne in July, is that right?---Yes.

To seek to try to persuade them to adopt a different course to continue support?---To consider providing additional support for the product, yes.

The meeting, you thought, went well, but after - let me summarise?---Sorry.

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The meeting went well, you thought, but afterwards they sent you a letter saying they're not going to support LATTICE after 30 June 2008?---Yes, upon leaving the meeting it was my understanding that a commercial proposition would be put, and I believe I sent an email to Mr Rawlinson outlining what I believed were the outcomes of the meeting. Subsequently, we corresponded again and they indicated they were not going to continue - not going to pursue the matter further and that support would cease in June 2008.

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Very good. And you've given us those emails and the letter which concludes with the letter of 6 August, I think it is. It might be the 8th, but it doesn't matter for this purpose. You've given that exchange - - -?---Yes.

- - - as attached to your statement. And ITO was then prepared, or perhaps was in the course of being prepared. Do you recall? You've given some evidence about that?---An ITO, yes.

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And you had some involvement in the drafting of parts of it?---Yes.

Did you read the whole of it?---Did I read the - I would believe I read the - the majority of the ITO, certainly, the large number of attachments that would have gone with the ITO, no.

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All right, but the body of it, the likelihood is you read it?---I would believe so, providing comment and input specifically to operations and support sections.

I'm going to read to you rather than hand you the document because it's quite short what I want to ask you about. At one point it says to the recipients of this document, "There are no upgrade options to the LATTICE solutions." Do you recall that being said in the document?---No, I don't, but my recollection, that is true.

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It was consistent with your understanding of how things had - - -?---Yes.

- - - turned out. It also says in a different part:

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The highest-priority activity is the replacement of the Legacy HR systems that utilise the LATTICE Human Resources Information system and the solution series software to TSS.

We can ignore, can we, that TSS part for the purpose of my question, please?---Yes.

Did you write that part which says, "The highest-priority activity is the replacement of the Legacy HR systems that utilise the LATTICE"?---I can't recall whether I specifically wrote that component but that is not inconsistent with what I believe to be the case.

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Right. In the course of giving your evidence, you described the opposition as being uncomfortable about having LATTICE continue without vendor support and that might be uncharacteristically, for me at least, a modest description, "uncomfortable". You saw it as being a matter of high priority to have something done because support was to expire on 30 June the next year?---Yes.

40

Thank you. And the impacted department - sorry, it was LATTICE'S concern, was Health, emergency services and corrective services?---As they were known, yes.

I'll read you another sentence. It is desirable to implement these agencies in a rapid time frame to reduce legacy and business risk, and cost. That is consistent with your view. That's right, isn't it?---Yes.

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And possibly your language, is it?---It's consistent with - whether I actually wrote those or they were written by this based on information I provided, but it's consistent with my view.

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Very good. Can you go to your statement now, please, to paragraph 20 where you record that you have been asked about a request for proposal?---Yes. 1

When you say you have been asked about that, I take it you mean the commission's offices have asked you about that topic?---That's correct.

Very good. And you stated you had no specific recollection of that process?---That's correct. 10

You went looking for documents that might refresh your memory of that plan?---Yes, because I had no specific recollection of the term "request for proposal".

Right. Very good. You have given us, in document H of your statement, an email?---Yes.

So if we're looking at the right thing, it's an email - it's the bottom. The email dated 1 August 2007?---That's correct. 20

At 5.08 pm. And forwarded by Maree Blakeney to someone and you got it?---Yes.

To you, at least?---It was to me, I believe.

Very good. And attached to it is a document that seems to have a schedule of things to occur?---It's a Gantt chart. 30

A Gantt chart?---Yeah, that's right.

What does that mean?---I'm sorry, could you just turn yours around to see - yes, that is a probative Gantt chart, which is a series - it is the way a project would be conducted, a series of steps that would be followed, dependencies, recursives.

Right. And you've given us this because it has the words "RFO process" in it?---It has both RFO and RFI. 40

Yes. Now, just tell me if I understand, this is a wholly internal government document, this one you've given us?---I believe so.

Well, you've given it to us. It's a document which is from some government offices to other government offices?---Yes, yes.

And it contains a government plan of steps to be done for something?---Yes. 50

For various things?---Yes.

And I want to direct your attention, please, to the second sheet of the Gantt document, as you've described it, and against item 177, does it have "release RFO" on 20 August 2007?---It does. 1

Is that preceded by steps taken to develop it? That is, develop RFO at item 175, commencing on 30 July?---Yes, that's correct.

All right. Now, if this program was complied with, it's suggesting something's going to start on 30 July, be prepared and released on 20 August. IS that how one should read it?---In this version, yes, yes. 10

Of course. I mean, like any good program, it may well slip or may well be accelerated?---Yes.

But that's how one should read this?---Yes.

Now, what's the significance of this document, apart from it containing the word "RFO process"? Was this part of the documentation planning the production of the ITO?---This document, in my understanding, was the replan in phase three document, which included both the RFI and the RFO component. 20

Yes. And the RFO process is the process for the production, what we call the ITO?---Yes.

The formal - - -?---Request for offer. 30

But what I call the invitation to tender, the big document that I read parts of before?---Yes.

Do you agree with me?---Yes. I think the ITO and RFO would be the same.

Same title given to - different titles given to the same document?---Yes. 40

Thank you. Now, would you turn, please, to paragraphs 26 and 27 of your statement. Just read those to yourself. No, I withdraw that. 25 and 26 I want you to read?---Yes.

I want to ask you this, if you can recall, do you recall in late July or sometime in August, and just to give you some context, the invitation to tender, I'll tell you, went out on 12 September or perhaps delivered on 13 September? So a month and a half earlier than that or perhaps even - sorry, late July/August was at least some weeks before the ITO was released?---Yes. 50

Do you understand? That's the period I'm talking about. Did you speak to anyone from Accenture in which they told you that they had already won some tender, some right to do

something to be prime contractor?---I'm not aware that - of a conversation like that. 1

Could I ask you a little broader question: did that have currency in CorpTech? Had the people saying, "Look, Accenture reckons it's already won, that it should be granted the contract"?---I have no recollection of that.

All right. Thank you. If you accept from me that the ITO was released on 12 or 13 September, just take that for the moment?---Yes. 10

And it originally contemplated a response by 1 October. Just accept that from me, too, please?---Yes.

Can you tell me, do you have enough experience of these things to know whether there's a tight time frame or a generous time frame for recipients to respond to?---I think I may have commented in my statement that was a short time frame. 20

Yes?---Whether or not - and that was put me to subsequently, I don't - it wasn't put to me at the time but yes, it was - I would imagine a lot of work to be done by respondents.

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In fact, it was extended by a week. Again, please just accept that from me?---Yes.

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And I think we have seen the evaluation - I will take you shortly to the evaluation report which is dated, I think, 23 October?---I believe so.

Right. So is it your recollection that your various teams had about two weeks to carry out your analysis?---My recollection is that the - that that is when the final report was done. I'm not exactly sure without looking at the documents what the date I signed the team report was but yes, it's my understanding that I think I signed the final assessment report on or about the 23rd or 25 October or something of that nature.

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Now, again, tell me if you don't have the depth of experience to answer that, but was that a tight timeframe in your experience compared to other assessments you have been involved in?---I have not been involved in an ITO for the selection of a prime contractor of this magnitude. I've probably not been specifically involved in an ITO of this magnitude but I have been involved in other ITOs.

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All right. You can put that aside now, please. Do you still have exhibit 12 which is the large version?---No, I don't.

I might ask that you be shown that, please. We see that this is headed Operations and Support. Yes?---Yes.

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Which was the team that you were the head of. Is that right?---That's correct.

Your team included only Mr Smith, Mr Roland Smith?---That's correct.

If you go down to the third row I think it is, it has got lead, Phillip Hood, and then the words, "solution complexity." That's the subcategory of the things that we are going to be considering?---Yes.

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And then a series of numbers, Q and then - was it Q - and then lots of numbers that follow?---Yes, that's correct.

What is that a reference to?---It's a reference to - Q I believe would be a reference to question and I believe that refers to the number of the document that was put out the market, or put out to the offers.

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So the ITO contains a lot of questions, 1 to - whatever it is, 90 or 100 or something?---Yes.

And this is identification of those particular topics within that list of questions which fall with the operations and support remit for your assessment?---Yes, that's correct.

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Sorry, I referred to a subcategory there, solution complexity but the same is true of knowledge, transition and management production operations and support?---Yes, correct.

10

A whole series of numbers. As well, and you have described to the commissioner already, the process which was involved was - you described it as (indistinct) but I might trouble you just to explain what you mean by that and I will help you if I may?---Yes.

You would have no doubt received the responses to the invitation to offer?---Yes.

And you would have at least focused on the answers to the questions which are the subject of these numbers on this sheet?---Yes.

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Did you read any more of it?---I don't specifically recollect what we did but it would be - one would need to read any material that had been provided. They were large documents. There would have been material provided or to contextualize the early responses of describing the solution so yes, we would have read other, you know, potentially - the majority of the document I would imagine although I can't specifically recall because it would - there may have been references within the answers to questions to specific parts of the document.

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All right. Let me put it this way: the likelihood is you read the whole thing, possibly with exception of the dollars, the price component?---Yes.

You read the whole thing but ultimately your focus was to be upon the particular topics that are raised by these questions?---Within the specific area that the team was looking at was operations and support and those were the selected questions to be specifically answered by that team, yes.

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Very good. Now, can you recall if you attended any presentations?---As part of the ITO?

Yes. As part of the response which has been afforded by IBM or Accenture or Logica?---That question has been put to me before. I have no recollection of attending presentations as part of the ITO. I certainly do have a recollection of attending presentations as to what - as part of what I refer the RFP process. I have looked at diary entries to determine whether I did attend but I have no recollection, I'm sorry.

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All right. You can recall attending presentations, what, in July or August?---In - yes, and I have, I think, referenced those in my statement. 1

Very good. I will ask that you be shown volume 30, please. Could you turn, please, to page 1179?---79?

1179. You should have a document that's headed CorpTech Evaluation Clarification Q and A Session. Do you have that?---Yes, I do. 10

This one is dated 10 October 2007. If you turn to the next page, it names a series of people from IBM. Tell me if that assists you in recalling whether you have attended a presentation from them?---Well, I have certainly been in meetings where a number of those people were present whether it was a - I remember certainly four of the names quite vividly.

I won't ask who you don't remember vividly, Mr Hood? ---Sorry. 20

Turn across, please, to page 1182. There was a question 11 which - I don't think there's one that falls directly within your remit but can you read to yourself what it says. "If third party support arrangements for LATTICE are not forthcoming, please outline contingencies that IBM would offer Queensland Government." That would be a matter of interest to you, would it, within your operations and support team?---Yes, it would. 30

Whatever answer was given to you would be of interest to you. If you turn then to the next page, this is one, question 15, that is one of those within your subcategories. Read it to yourself, please. Does that sort of ring a bell that you were asking for that kind of information to be provided to you? Perhaps I will take - in fact I will take you through the whole document first and then you can tell me if you can recall this at all and it may be that it shortens it a little. Turn to the next page, please. You will see that there is question numbered 19 but then it relates to a question 40 so perhaps that's confusing but it doesn't matter because on either view, that's one of yours, isn't it, a matter of interest to you?---I would believe so, yes. 40

Thank you. And it's concerned, this one, explicitly with Workbrain awards solution?---Yes. 50

How do you propose that CorpTech gains an acceptable level of confidence in the proposed Workbrain award solution? Flick through the rest, if you want to, and point out any that would be relevant to the consideration that your subgroup had to do for the evaluation?---Without going through each one and looking at the ITO - I mean, some of them would be of interest, particularly where they're obvious and I can cross-reference them, but - - -

Well, it's probably enough that there's some there, for my purposes, Mr Hood?---Yes. 10

There are some which are germane to the topics you had to assess?---Yes.

Now, was the process one that you know there were presentations being provided by the tenderers to CorpTech representatives for the purposes of better understanding the tenderers?---Again, what this looks to me is as part of the assessment there would have been a series of questions raised by the parties or raised by the teams which would, through the process, have been forwarded back for answering and so this is a clarification session rather than what I would call a presentation, which was done on the RFO, in the RFI process, so I think we're using perhaps slightly different terminology. 20

Well, I'll change the terminology?---Sorry.

Were you aware that post the closing of the tender, there was a process by which members of the teams could ask for more information if they wanted?---I believe so, yes. 30

And that would be provided in writing, in part, at least? ---Yes.

Or it could be provided in a session where there was clarification given in a meeting?---I have a recollection of that, as you've put it, yes. 40

Now, do you recall if you attended - do you recall you personally attending one of those meetings?---I have a recollection of certainly being in a forum with a number of the parties referenced on 1180. If this was a - and I apologise, I don't have a clear recollection, but if this was a presentation to team leader for clarification of questions, and I have no access to my diary to check, but it would be likely that I would have attended that presentation or that session, rather than a presentation. 50

All right. Thank you. Still on that volume, would you turn, please, to page 1206? You should have there a document which ultimately has the words "clarification questions" and the date 11 October 2007 at the bottom of the page?---Yes. 50

Good. And if you turn the page just to identify its format, if you go to page 1207?---Yes. 1

You'll see there's a box which has sort of the topic or the question. Number 1 in this case is clearly stated?---Yes.

Then a response?---Yes.

That's the format of the document throughout. Now, can you recall that in the course of the evaluation process, your team was provided with documents of this kind, providing clarification of issues that had been raised by CorpTech with the particular supplier?---I specifically recall seeing the documents, but as you've put it, the - I would believe that, yes, that would have happened to the teams, that they would have the latest information on which to make their scoring. 10

Right. Well, let's see if we can refresh your memory. Go to page 1211. There's a question or topic number 5, "Where do you see the key risks in rolling out the interim Queensland Health HR solution" et cetera?---Yes. 20

Now, then there's a response?---Yes.

In terms of your function of operations and support, that would be a topic, at least, of relevance to your consideration. What happens if it's not done by the time the LATTICE support runs out?---That would have been of interest, yes. 30

Okay. And so is the process one where this is likely to have come to your team for its review, even if you can't now recall?---I would believe so, yes. I believe so.

Very good. If you turn across, please, to page 1216, you'll see there's a question that relates to Workbrain for award interpretation?---Yes.

And some information which I'll ask you not to read out but you can read. Do you recall that being something that came to your attention?---I recall that there were reference sites provided and that there were discussions held with reference sites, and I do recall being part of teleconferences with at least one reference site. 40

By "reference site", you mean a third party who is able to give some information about the use of this software? ---Yes, or - not necessarily the software, but would have been nominated by the vendor or the offeror in support of their offer. 50

And so you can recall at least being involved in one of those?---Yes, I don't know for which company.

All right. But that assists, doesn't it, in demonstrating that you would have been provided with these kinds of clarifications for the purposes of following them up where relevant?---I believe that's - yes.

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Very good. Turn if you would, then, to page 1219, to item number 19, against which you'll see it's got Q40?---Yes.

Now, question 40 is one of those which is nominated on your score sheet as one of the questions from the ITO that's for your team's consideration. The process must be, mustn't it be, Mr Hood, this would have come to your attention for the purposes of your evaluation?---I would believe so, yes.

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Right. And tell me if you can help, would you have read the whole of the response, the whole of the clarification, or just focused on reading only the bits that were plainly within your remit?---I couldn't - I can't recall whether I read the whole - whether if - or whether I felt it was necessary, but I believe it probably would have considered all the matters that - all the matter that was given to us. Some of it would be unrelated but it may have been necessary to read it all to put it all in context.

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Right. So doing the best you can, is it likely you read everything?---I would have to look at this entire document to be able to comment whether I - whether there was anything else that may comment I've read it, but I would believe, as you put, that I probably seen it.

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All right. And I don't want to take so long to have you read it all, but am I right in then concluding that prior to giving your evidence today, which touched upon why you had changed some recommendations about the change from Accenture to IBM, that topic, you have not been shown the material which IBM provided to CorpTech to clarify its ITO response?---No. Can you put that to me again, please?

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Should we understand that in giving your evidence earlier today, that was giving in circumstances where you had not been shown the information IBM provided to clarify its ITO? That's too long a question, I'll start again?---All right.

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You were shown this document, the one I've taken you to now, before I showed it to you were you shown it in the last two months other than today?---No.

All right. And if there are other documents which are described as "clarification questions", and I'm going to show you three more, would it be right to say in the last few months you haven't been shown those?---I'd like to - - -

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You'd like to see it?---I'd like to see them before answering that question.

Well, I'll finish with this one first and then we'll go to those. Just turn, now, please to page 12.23, and you'll see the top item is 24, and that's also at question 40? ---Yes.

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Reading that, that is plainly something which is relevant to the things your team had to consider?---Yes.

Very good. And does that at all help you in recalling whether you'd read that document back in 2007?---No, it doesn't. No, it doesn't indicate to me whether I have. I think it's likely that - it's not - - -

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We'll clarify that. In terms of process you think it's likely you read it, but as you sit there now you can't recall doing so. Is that how we should understand it? ---Yes, I mean, if I check with my diary that would probably be the easiest indication of whether I was at that meeting. If this was tendered at that meeting - but, I mean, there was a large volume of documentation to be considered as part of this process but I would accept your proposition that it is likely that we would have seen this, it was part of the assessment panel.

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Very good. I'll be quicker with the other three that I want to take you to. Could you turn, please, to page 1238? You should have a document which has "Clarification Questions 2"?---Yes.

Dated 12 October?---Yes.

And please look for it if you can. I want you, first, to tell me if it is also true to say you weren't shown this document until now, that is, over the last few months you haven't been shown this?---Over the last few months? No.

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Take your time if you need to, but is the position the same that you think it likely that you received and read this in

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the course of your evaluation process, but you can't, now, recall doing so?--No, I don't recall seeing this. However, if these were specifically around price, or if they were related to price, I think it highly unlikely we would have seen them. And I say that because the first question relates to costs, but if they were not specifically about the component of pricing for the offer it's possible I would have seen this.

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All right. Well, excluding then any topic that deals with the dollars, the price, is the position that the process was one where you would have been sent these documents, you would have read them but you can't now recall having done so?--I don't specifically recall seeing these documents, but I believe as part of process, and if I'd seen the folder that the team used, and these were in the folder, but there was a massive amount of documentation but I believe the team would have considered all materials related to the initial offer and anything that subsequently come out, but I have no specific recollection of these specific documents.

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All right. That might do, then. The team you are talking of is you and Mr - - -?---Smith.

- - - Smith, that if these documents were provided by a tenderer in the course of the evaluation process, assume that, the process is one by which they would have made their way to you and Mr Smith and you would have read them excluding price considerations and done whatever you thought was necessary having read them?--Yes, I believe that's accurate.

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Very good. Thank you. Just to complete it, I might show you the other two to see if that helps. Go to page - I'm sorry, I notice the time, Mr Commissioner.

COMMISSIONER: So do I. Thank you for drawing that to my attention. We will adjourn until half past 2.

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THE COMMISSION ADJOURNED AT 1.06 PM UNTIL 2.30 PM

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MR DOYLE: Mr Commissioner.

Mr Hood, have you still got volume 30 in front of you?
---Yes.

Good. I'm going to take you to two more documents of the same kind and ask you much the same questions as I have before. Page 1245, you should have a document that was described as clarification of questions 3?---Yes.

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Dated 12 October?---That's correct.

Now, I'll try to summarise this. Ignoring anything to do with the pricing, which was probably excluded from being provided to you, is this the kind of document that you expect - whilst you can't recall it, think it is likely it was provided to your team in the evaluation process?---Yes, I believe so.

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Very good. And is it also right to say, and perhaps I put it rather badly before, that the first time you've seen that document in recent times this year is now in the witness box?---That is correct.

All right. I may have asked you before to the effect you haven't been shown over the last few months by the commission. I wanted to really correct that. The commission was provided with this documents only by us on 8 February, so to put it "a few months" was truly to overstate it, but the first time you've seen it's today?---That's correct.

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Thank you. And the final document I wanted you to look at of the same kind is at page 1420 of that same volume, and you should have this one just described as "clarification of questions" and dated 18 October?---That's correct.

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Is your answer the same?---Yes, they're exactly the same, the previous document is.

Thank you. Can you put that volume aside, if you would, please. Now, apart from the deliberations of your team, you and Mr Smith, was there some process by which the team leaders or the teams themselves would meet in a broader caucus?---Yes, the ITO assessment process does provide for, I think, four stages of assessment and they're described both in the ITO document and in the summary document that I have signed, and so there was individual scoring, there was a process whereby the teams would get back together and discuss or - I think the term "moderate" is used; although, I'm not aware of how it was done, but, yes, there is a

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process, an iterative process for that for the ITO assessment.

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Right. So not only intra team, you and Mr Smith talk about things, but inter-team?---Yes.

All right. And was that with all team members together or just team leaders, or was there no particular format for it?---Well, the proposal was provided for, I believe, all teams whether they were - whether every team member was there, I don't recall.

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And how good's your recollection of what was discussed at those inter-team meetings?---Not - I don't recall the specific meetings under the process.

But was the process one by which you would ask for clarification of anything you thought was required that required clarification and if other people could offer it they would?---I would believe that would have been provided by - allowed by the process, yes. If I had technical questions or if I had questions about matters that I didn't understand that I believe somebody could inform our team, then I believe it would be appropriate and would have been appropriate to ask those sorts of questions.

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And presumably the converse is also true, if someone else had a question that you could help them with, that would be discussed in this kind of meeting?---Yes, I believe that was the intent of those meetings, yes.

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And that's a stage of process. Was there some later stage? ---Well, there was a series - my recollection is there were a series of meetings and I think I put a number of those in my statement over a period of time, that there was individual meetings or individual scoring by the team and then there would have been other forms where the teams got back together.

Do you have volume 22 with you? Well, I'll have it shown to you, if I can. Would you turn, please, to page 3? Now, the document I'm showing you is the final evaluation report, but I want to direct your attention to the heading Evaluation Process?---Yes.

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See that? And read it, if you would, but the first thing I want to ask you is: was this the process which was laid down at the outset, if you like, for how the evaluation was to proceed?---My recollection is that is how the evaluation proceeded. I don't specifically recall the briefings of which there were or where this was specifically worked through, but there were briefings pre the commencement of the evaluation.

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That'll do. This was the process which was followed?---I believe so, yes.

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And the likelihood is it's followed because people discussed and agreed to it at the outset?---Or as it was put by the procurement professionals as the process that should be followed.

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Or imposed by somebody - - -?---Yes.

- - - rather than - okay, that'll do. I wanted just to direct your attention to stage 1. See at page 3 there's a heading Stage 1?---Yes.

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And if you turn over the page, in the third dot point it contemplates that there'll be a draft team report prepared. Do you see that?---Yes.

And I should have pointed out dot point number 1, "Socialise team scores with whole evaluation panel." What does that mean?---Well, I take that to mean that each team would have come back together to indicate how they were going. Some areas were obviously more complicated than others, I would believe, to get back together to caucus, as it were, about bringing all the teams who were responsible for the process back together.

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And to fill in a form which has everyone's details on it, so to speak. That would socialise team scores?---Whether it was as formal as filling in an interim sheet, I don't recall, but the groups, I believe, would have got back together.

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Just turn back a page now to page 3. There's the process contemplated, the very last dot pot that in stage 1 team members to provide their scores and justifications in the template provided?---Yes, the template was, I think, based on an Excel spreadsheet. There were other documents of clarification and a variety of forms. It was a very complicated process.

All right. Is the template not the kind of form that Mr Flanagan was showing you earlier today which had scores? ---That could have been one part of the - I think that was, you know, only one document, one of the documents that was used, but, yes, I believe it would have been.

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All right. Back to page 4. Stage two: you'll see it described as its objective "team leads", which I would assume includes you?---Yes, I was a team leader. 1

"To review, refine draft tender reports", then there's some other things that happened?---In my case, that would have been with Mr Smith.

Very good. Under the heading Process in stage two, "Review and moderate scores considering wholistic evaluation": what's that a reference to?---Well, I can only assume that wholistic means in total. All the teams coming back together to have a view of the entire - where we all were to share our particular results about particular areas, but in total, I would believe. 10

And then still under stage two, under 3.3.4, it refers to refining various things, the strengths and weaknesses, the scoring sheets and the draft report. Do you recall if that was something to be done by the individual team or by the teams in caucus?---It could have been either, it's not specific as to whether it is the final draft report or whether it is the team reports. So I can't answer whether that was individual teams but I would believe it would have been individual teams. 20

All right. The process, as you recall it, was one which permitted the evaluation process to proceed by revising the scoring, the recommendations and the strengths and weaknesses sheets?---It was an (indistinct) process, yes. 30

Which included a staged revision of what had been recorded in earlier scorings or sheets of some kind as the process progressed?---Yes, I believe that's correct.

Thank you. Thank you, I have nothing further.

COMMISSIONER: Mr Flanagan, anything in re-examination?

MR FLANAGAN: No. May Mr Hood be excused, please? 40

COMMISSIONER: Yes. Mr Hood, thank you for your assistance, you are free to go.

WITNESS WITHDREW

MR DOYLE: Mr Commissioner, I'll give you that undertaking.

COMMISSIONER: Thank you. Yes, thank you. Well, I'll have an order drawn up in terms of paragraph 1 of the draft you gave me yesterday and attach the undertaking to it. 50

MR DOYLE: Thank you.

COMMISSIONER: Thank you.

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HOOD, P.J. XXN

MR FLANAGAN: Mr Commissioner, before I call the next witness, we received at 12.22 pm today from the crown solicitor what is now a complete copy of the Queensland government treasury evaluation report at 23 October 2007. It was noted that there were some pages missing from the evaluation report, which is in volume 22, item 19.

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COMMISSIONER: Yes.

MR FLANAGAN: We can either tender it as a separate exhibit or we can cause the document to be changed in the - - -

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COMMISSIONER: I think that's the preferable course, just add it to exhibit 4.

MR FLANAGAN: Good. In the interim, may I supply the full report? I should also make it clear that we have been requesting clarifications in relation to each topic from the various departments, originally through Crown Law. We did receive from IBM clarifications which we understood we received on 1 March 2013, which were annexures or exhibits to a proposed statement, Mr Bloomfield. It's not until this - - -

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COMMISSIONER: Are you talking about the documents that Mr Doyle thought had come on 8 February?

MR FLANAGAN: Yes. We don't think we had any documents of 8 February because we only started on 1 February.

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MR DOYLE: Sorry, I'm instructed, and we checked before I asked this question, but they were provided in the first tranche of documents which we believe was provided on 8 February. But we can debate this at another time if it becomes significant.

MR FLANAGAN: Can I also say, though, that clarification documents are being received from relevant government departments, but we've only received them as late last Thursday and some on Friday.

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COMMISSIONER: Thank you.

MR FLANAGAN: The point I make: in a perfect world, we could have waited another four weeks before we started the inquiry.

COMMISSIONER: I know. The time frame given to the commission is so short that these sorts of misunderstandings were bound to occur.

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MR FLANAGAN: But we are of course grateful for Mr Doyle being here to bring those things to our attention. May I call Ms Orange.

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FLANAGAN, MR

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ORANGE, COLLEEN SHIRLEY SWORN:

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COMMISSIONER: Yes, sit down, please. Mr Flanagan?

MR FLANAGAN: Could you give your full name to the inquiry, please?---Colleen Shirley Orange.

And you are a certified practicing accountant?---That's correct.

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And you hold the degrees of bachelor of business, and you're presently employed at the Department of Aboriginal and Torres Strait Island and Multicultural Affairs. Is that correct?---I am, yes.

Ms Orange, did you commence working for Queensland Treasury in or about 1998?---I did.

And what position did you work in?---The role I held for most of the time there was the manager of what was called the "tri-data team", which is the treasury's whole of government financial management system.

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And you worked part-time with Queensland Treasury - - -? ---I did

- - - until or about 17 September 2007?---That's correct.

At that time did you obtain a full-time position with CorpTech?---It was a temporary role with CorpTech but it was on full-time basis.

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All right, and what role was that?---That was the director of finance and business services.

And who did you replace in that position?---Joanne Bugden.

All right. And you've provided a statement to the commission, have you not?---I have.

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Would you look at this, please? Is that statement true and correct to the best of your knowledge and belief?---It is.

Yes, I tender that statement, Mr Commissioner.

COMMISSIONER: Yes, Ms Orange's statement is exhibit 13.

ADMITTED AND MARKED: "EXHIBIT 13"

MR FLANAGAN: Ms Orange, just prior to you joining CorpTech in your position you were aware or became aware that on or about 12 September 2007 CorpTech had issued to the market an ITO for the appointment of a prime contractor?---I was only vaguely aware of it, I had no involvement or anything like that, just vaguely aware they were doing something.

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Was the ITO mentioned in your interview for your position? 1
---No, not that I recall.

Were you at all told that it was a project that you would be focusing on?---No, I wasn't told that, I was told I wouldn't be engaged in the process at all.

All right. Was that, to your knowledge, because Ms Bugden, the former if I just call her the CFO of CorpTech was going to be involved in the evaluation of the costings in relation to the tender process, is that correct?---That's correct. 10

That remained your understanding until Ms Brogden - sorry, Ms Bugden withdrew herself from that process?---That's correct.

Do you know when Ms Bugden removed herself from the evaluation process?---I don't recall the time exactly but it was very close to the day the offers were due in. 20

Right. Now, do you know why Ms Bugden removed herself?---She advised me that there was some issue in her workplace where she couldn't be released to come and do the work.

As it happened, having started in your new position on 17 September 2007, you were the person identified or put forward for heading up the costs evaluation sub-team for this tender. Is that correct?---Once that - once Joanne advised us that she wasn't able to do it, yes, I was put forward. 30

When you took over from Ms Bugden, did you have a handover meeting?---I don't recall having a handover meeting with her.

Were you provided with any handover notes?---I wasn't provided with handover notes at the time she withdrew from the evaluation. 40

THE COMMISSIONER: Did Ms Orange tell us what role Ms Bugden took up after 17 September?---My understanding is that she went to work for the Department of Justice Attorney General in a financial role there, I don't know which role that was particularly, specifically.

MR FLANAGAN: Now, you answered to the executive director of CorpTech, Ms Barbara Perrott. Is that correct?---I reported to the - no, the executive director of Corporate Services if that was the correct title but Jan Dalton was my boss. 50

Right, thank you. Now, did either Barbara Perrott or Jan Dalton provide a briefing to you about the ITO when it

became clear that you were going to be heading the cost sub-team?---I don't recall a briefing in detail, no. 1

Did anyone give you a briefing as to what your role or function would be as to the head of the sub-team for costs? ---Not a full briefing, no, just that I would be doing that task.

Had you ever been involved in a government ITO process before? ---I hadn't, no. 10

All right. Had you been involved in any contract procurement?---No.

Now, in your role as the head of the costs sub-team, were you given prior to dealing with the evaluation, were you given proposals that IBM, Accenture and Logica had given in response to a request for proposal?---No, I hadn't.

Did anyone inform you of the range of pricing that those three entities had provided in a previous process?---No. 20

Were you given a strengths and weaknesses analysis in relation to those three entities for the previous RFP process?---No.

Do you know Maree Blakeney?--- Yes, I do know her.

What was her role in this process?---I understood she was managing the procurement process in terms of the practical aspects of it was my understanding. 30

Did you speak to her about the process?---I don't recall speaking to her about the process.

Thank you. Can I take you to an email that was sent to you by Ms Bugden and for that purpose, may I tender at this stage Ms Bugden's statement. There is an additional statement coming from Ms Bugden that deals with price that has not been supplied to the other parties as yet but the only reason I'm tendering her full statement, her main statement at this stage, is that it has annexures that aren't otherwise in there. 40

THE COMMISSIONER: Yes. Look, Ms Bugden's first statement will be exhibit 14.

ADMITTED AND MARKED: "EXHIBIT 14"

MR FLANAGAN: That will be coming, thank you. 50

THE COMMISSIONER: Yes, very well.

MR FLANAGAN: Mr Commissioner, may I supply a copy to you?

THE COMMISSIONER: Yes, thank you.

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ORANGE, C.S. XN

MR FLANAGAN: Would you please go to annexure A of Ms Bugden's statement. At annexure A, you should see an email halfway down the page from Joanne Bugden, director reporting finance in community engagement reform and support services, Queensland courts Department of Justice and Attorney General. Do you see that?---Sorry, attachment A, is it?

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Attachment A, and it's halfway down the page. It's an email dated 8 October 2007 at 10.59 am?---Yes.

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It's addressed to a number of persons including Ms Perrott, Mr Burns, Mr Goddard but copied to Maree Blakeney and to yourself. Is that correct?---Yes.

"Dear all, I wish to advise that I am unable to take the lead in doing the pricing evaluation for the ITO. My work commitments are huge" et cetera. Do you see that?---Yes.

Was that the first time that you learnt that you would be taking over from Ms Bugden in relation to the evaluation of costs for this ITO?---I have a vague recollection that she phoned me but I'm not sure of that but that's my recollection, that she called me.

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Right. Do you recall how soon it was prior to this email being sent?---My understanding when I look back, I thought it was on the day the offers were due in but it may have been a couple of days earlier but it certainly wasn't - it was very close to the time.

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Now, it says in that email that she would make herself available to you for answering any questions you may have. Did you ask her any questions?---We did, yes.

Yes. Could you tell me what was said in those conversations? ---I can't recall the detail of those, sorry.

On your sub-team, there were two other persons, were there not, a Ms Di Carlo and a Mr Shaurin Shah? Is that correct? ---Yes.

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Now, from your own observation, what did you observe as being Mr Shah's role during the process?---Shaurin added to me from - at the time was adding to me the knowledge of the program, so the SSS program as it was called in those - at that time, of the implementations that had happened to date and so forth, so he understood about the implementations and he had a technical IT background as well so he was bringing to the team.

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Mr Burns's role?---I understood that he was leading the procurement.

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The role of Mr Keith Goddard?---I don't recall Keith's role at all.

And Ms Barbara Perrott?---She was the general manager of CorpTech and I understood that Terry reported to her through CorpTech.

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All right. Now, had you previously met Ms DiCarlo?---Yes, yes.

In what circumstances?---We were - both worked at Treasury. We didn't work in the same section but we worked at Treasury, so we knew each other through that.

Could I ask you then to turn to annexure C of Ms Bugden's statement? This is an email dated 20 September 2007 at 11.50 am and again, it's addressed to you and Ms Blakeney and it says, "Colleen, attached is the completed pricing matrix. Have a look at it when you get a chance and let me know your thoughts", and then you'll see attached a matrix that goes on for some pages. Had you discussed this matrix with Ms Bugden?---I didn't discuss it with her. In terms of the context of receiving that email, when I had started at CorpTech, but prior to the commencement of the process, I suggested to her that even though I wasn't included in it, I would be interested to learn something about the process. I thought it would be proper given that beyond the completion of the process, I may need to know. So my memory is that I was provided with this matrix as part of that request, but it just - that was the first I had seen of the ITO, this was the first, and I had no comments on that.

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All right. Did you use this matrix for the purpose of the evaluation of cost?---It's my understanding that's the case, yes.

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Having used it in the evaluation of cost, can you just explain fairly briefly how one is to understand this matrix?---I'm sorry?

How one is to understand this matrix?---My understanding of it was that the prices for these items were being supplied by the offerors and our role, my role was to compile the information provided by the tenderers into this spreadsheet for all of those items, cost up some elements - there's one element there in terms of CorpTech costs. We had to cost that up, put that in and then it all collated automatically up into a summary table which just presented side by side each of the offerors' prices for each of the streams of work.

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When you say you didn't have any comments to make to Ms Bugden in relation to the matrix, did you have any questions for her in relation to the matrix?---I don't recall having any questions, no.

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Now, do you recall that the ITO document itself required the tenderers to by line by line outline the items and the cost in relation to those items?---I didn't know. I hadn't seen the ITO at all.

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Did you read the ITO before going into the evaluation panel?---No, I didn't.

Did anyone provide you with a copy of the ITO before going into the evaluation panel?---I don't recall being provided with it.

Would it be fair to say that given - and this isn't meant to be critical, but given the lateness of the date which you came to this process, did you rely heavily on Ms DiCarlo and Mr Shah?---I think we - did I rely heavily on them? I guess I did, and others, I think, but, yes, I did.

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And when you say "and others", who else did you rely on? ---As we went through the process, we needed to get technical involvement in understanding the numbers and so there were others that we had to use, so not just those two, to come to the - to, you know, to understand the pricing, so yes, but I did rely heavily on it.

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Thank you. By way of example, may I take you to the pricing schedule of IBM, if we go to volume 15, page 616.

COMMISSIONER: 61, sorry?

MR FLANAGAN: 616. Do you recall being provided, Ms Orange, with the responses of Accenture, Logica and IBM to the ITO?---Only the pricing schedules.

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Only the pricing schedules?---Yes.

And were the pricing schedules similar in format?---I don't recall but I presume they were, but, sorry, I don't know, I presume.

For some of the items on the IBM pricing schedule, best estimates were given as opposed to fixed prices. Do you recall that?---Yes, I do.

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For the purpose of comparison, how did your evaluation team deal with fixed prices as opposed to best estimates? That is, what process did you go through so that one was comparing apples with apples?---I don't recall a lot of detail around that but where there were best estimates, it is my recollection - I don't know if it's in all cases, but

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there were cost drivers or variables, or whatever provided and that's when we went wider to try and engage some technical expertise and looking at those variables to see whether the assumptions were appropriate or not for the purposes of costing.

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All right. Was there someone on your team who assisted in calculating by way of a figure a best estimate?---I'm not - did we calculate the best estimate? Numbers were provided with the best estimates. We - I'm not - I can't recall who calculated the numbers, whether - I know Shaurin was involved in looking at that side of things. We also consulted a bit more widely in some areas to - and then we were provided with the information to put into the table.

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Okay. Thank you. Do you recall anything else - and I appreciate it was sometime ago, but do you recall anything else as to how you were able to compare or reconcile - sorry, I'll withdraw that. Given that IBM and Accenture seem to have a slightly different methodology in terms of pricing, do you recall how you came to a like with like comparison for the purpose of evaluation?---Again, it was really just providing the costing information to the appropriate technical expertise to validate and to look at the assumptions to validate those for each - we were looking at it at quite a high level at the streams of work and on the basis of the technical people were happy with the assumptions that were built into each of those, then we accepted that as a fair price and fair numbers.

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Now, from your own recollection, did the costing team, your team, seek clarifications both from IBM and Accenture in relation to price?---There was meetings held and we were part of a wider team that sought clarification, yes. 1

And for pricing, do you recall attending presentations by Accenture and IBM in relation to price?---Presentations according to price? No. No, we haven't questioned and answered questions, if that's what you're referring to, questions? 10

I'm actually talking about a physical presentation by representatives from Accenture and from IBM explaining their price methodologies, and dealing specifically with questions that have been raised by the evaluation panel? ---I recall having meetings with them of which price was one component of the discussion, yes, I do recall those meetings.

All right. Thank you. Did you see price as being a key issue in the ITO process?---Only insofar that it's not always an important element, yes. 20

Now, for the purpose of you evaluating price, you've told the commission that you were able to have access to other people for technical advice but apart from that, was the issue of price quarantined in any way in the evaluation process and, if so, how?---So at the commencement of the process the team was quarantined and the pricing information was only provided to the pricing team, and it wasn't provided outside the team until after we had compiled it. 30

Do you recall when the pricing quarantine finished for the purpose of discussing with the entire evaluation team, the price impact upon their evaluation?---I don't recall when in the process that happened, no.

All right. Now, did you know what the remaining estimate budget of Queensland Treasury for the shared services initiative was?---I knew that at, more or less, the end of the process - it wasn't my focus at the start of the process, I really, at the start, saw my role as compiling that information, being able to present live streams of work for comparisons for the wider group, I guess. So it wasn't until I got involved in the process that became an element. 40

Was part of your function in the evaluation to populate the matrix that Ms Bugden had provided?---That's what I understood my function to be. 50

All right. And that's in fact what you did?---Yes, with some assistance. Yes, I think that was what was - yes, that's what I did with some assistance.

Can I take you, then, to volume 22, page 8? By the time you came to your position in CorpTech, did you know that the prime consideration for the Queensland government in terms of tender processes and contract procurement was value for money?---Yes.

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All right. And if you look at page 8 you'll see there for criteria 3C, it says, "C3: value for money. Alignment with corporate services reform, scope coverage, range of delivery, benefit management approach, value - - -"

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COMMISSIONER: It says "rage of the delivery".

MR FLANAGAN: I'm sorry, your Honour?

COMMISSIONER: It actually says "rage".

MR FLANAGAN: Yes, I took that to mean "range"; "rage".

COMMISSIONER: I don't know.

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MR FLANAGAN: "Rate"? Thank you. It could well be "rate of delivery". Did you have any part in drafting the criteria?---No.

Were you aware of the criteria when you undertook your evaluation process?---No.

Were you aware of the basis Queensland government policy of value for money in undertaking your evaluation?---Yes, generally.

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Can I ask you this: one of the criteria is, "Alignment with corporate services reform." Do you have any understanding or can you assist us in terms of what that actually meant?---I mean, I could have a guess at it but I don't - I'm not familiar with this document, and the corporate services reform, project, the initiative, was not something that I was part of. So in terms of what that actually meant, I don't know, it would just be - - -

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When you say you're not familiar with this document, can I just make it clear what this document is? It's actually the evaluation report for prime contractor for the shared services solution program, invitation to offer number 435-000334, dated 23 October 2007. It's actually the final evaluation report, and I believe that you were actually a signature to the report?---Yes.

And you'll see that on page 13 of 14 of the actual report itself where the last signature is you signing on 24 October 2010?---Yes.

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Do you see that?---Yes.

All right. I don't want you to guess, but do you have any knowledge of what that criteria required to be assessed?--- I presume that it supported the reform agenda in corporate services, which was the shared services initiative, and it supported in achieving that agenda. It was in (indistinct) agenda.

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Did you understand that criteria to mean that one was to assess these tenders having regard to the remaining treasury budget for the shared services initiative roll-out?---That knowledge came to me during the process, at the commencement of the process. I really understood I was comparing the offers, then work in the team with Rose DiCarlo and so forth that knowledge became more apparent to me, I guess, in terms of the envelope of funding available.

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And my question then is: who gave you the knowledge, or who imparted the knowledge to you, that one should have regard to the remaining budget, treasury budget, for this roll-out in assessing these tenders?---I recall Rose giving me that guidance or that information, and potentially down the track just through conversation in terms of that it was important was through Terry.

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Through Terry?---Terry Burns.

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All right. Again, it's some time ago but it's important for us: can you recall what Mr Burns said to you in terms of assessing cost by having regard to the remaining treasury budget?---It's really just how the information was presented, so the table that had been developed was really just listing everything - every element or streams of work to be - priced to be provided on and it was really just in terms of laying out that table to kind of indicate what was affordable within that, essentially that it was in the context of how we present the information back was in that way, is my memory.

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We will come to the actual appendix 4 to this report which sets out the cost analysis or evaluation but I need to know from you who sought to have it structured that way where the evaluation was being done by reference to the remaining treasury budget?---When we did the report, that came from Rose in terms of structuring it that way and when we were producing tables, it was reflecting that and that was my memory from (indistinct)

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Ms Di Carlo had been from almost the very inception involved in the construct of the business model for the Shared Services Initiative?---That's my understanding, yes.

You knew that she had worked closely with the under-treasurer in relation to the creation of that business model?---That's my understanding.

And that she was a person well known to have the ear of the under-treasurer?---Yes, I think she was - yes, she had a pretty good relationship with them.

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Do you know how she came to be on the panel?---I don't, no.

We know how you came to be on the panel. Do you know how Mr Shah came to be on the cost panel?---My recollection is that Terry advised him to come and assist me.

All right. Now, Mr Shah is not a qualified accountant such as yourself, is he?---I don't know.

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May I take you then to volume 30, page 1471. We will be retuning shortly to volume 22 if you could keep that near you.

THE COMMISSIONER: What page was it?

MR FLANAGAN: Page 1471.

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THE COMMISSIONER: Thank you.

MR FLANAGAN: This is an email from Maree Blakeney, dated 16 October 2007, so it's during the evaluation period for this ITO and approximately seven days before the final

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evaluation report. "The attached spreadsheet forms a basis of the costs session for tomorrow afternoon. Can you please confirm by noting yes or no in the inclusion column that the deliverable process elements LT 2 listed have been included or excluded in your price." This would seem to be a document that has been sent out to the tenderers for response which identifies the number, item number, the description, price basis, deliverables and deliverable process elements, and then for an inclusion of yes or no which is a reference back to the task identified by Ms Blakeney in the email which is, "Can you please confirm by noting yes or no in the inclusion column that the deliverables process elements LT2 listed have been included or excluded in your price" Do you see that?---Yes.

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Now, unfortunately we don't have a document to show you which constitutes the responses of either IBM, Accenture or Logica to this, but did you play a role in saying look we need to know from the tenderers exactly how they are pricing each of these - not how they are pricing each of these items but whether these items are in fact priced. Yes or no?---No.

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No?---No, I didn't have a role in this.

Have you ever seen the costs break up matrix before?
---Which is - is this the document?

This is what this document is called?---Yes.

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At the very top you will see it's called a costs break-up matrix?---I've seen it during - for this process, this inquiry. I mean, I think I have a vague recollection of it but beyond that, I didn't have role in compiling it.

Do you know who compiled it?---I don't know.

It is a document that is clearly useful for cost evaluation, is it not?---Yes.

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That is, it's important to know whether items have been costed or not costed by the relevant tenderer?---Yes.

I might be pressing my luck, Ms Orange, but do you recall if you ever saw a response from the tenderers to this document?---I can't recall. I can't recall. I can't recall it, no.

That's all right. Do you recall any discussion you had with Mr Shah or Ms Di Carlo or Mr Burns that there was uncertainty about what these tenderers were actually pricing in terms of items?---No, not - certainty in terms of what they were including?

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Mm?---No, I didn't have a discussion around that.

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The email, if we go back to it though, refers to the attached spreadsheets, a spreadsheet forms a basis of the costs session for tomorrow afternoon which would be 17 October 2007?---Yes.

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And if there was a costs session, as the head of the costs team, you would have attended, surely?---Yes, and it must be the session that I'm referring to. I didn't know what it was called and I didn't recall that it was specifically for the cost. I mean, I have a vague recollection that they probably did respond to this. What was done with it, I really don't know.

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Can I show you some more documents which hopefully might assist?---Sure.

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If we stay with the same volume but go to pages 1508 and 1509. Again, it's an email from Maree Blakeney. It's dated 19 October 2007, 2.25 pm. "Hi" - and this is to IBM offerors, and then copies to Mr Swinson and Mr Burns -

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To ensure that your offered price has been correctly represented, we would appreciate if you would make your financial team representatives available for a validation discussion on Monday, 22 October from 12.30 pm to 2.30 pm.

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Now, this is a day before the date shown on the date shown on the final evaluation report. Do you recall attending another pricing presentation by IBM on or about 22 October?--No, I don't recall the second meeting.

Is it possible given that you're not copied in on this email that pricing presentation was made in your absence or that you simply didn't attend it?---I don't know; I don't know.

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If you turn over the page, then, again, it's from Maree Blakeney, but this time it's the same date but at 3.45 pm, whereas the first email I showed you was 2.25 pm.

Hi. In addition to the meeting scheduled for 12.30, Monday, 22 October 2007, CorpTech requires IBM to assist with working through the costing assumptions for both HR and finance for item IE priority core development. We propose 10.30 to 12.00 followed by a half-hour break before the next session.

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So there would appear to be two pricing sessions, one that's dealing with a specific topic. Now, can you recall this: can you recall that your sub-team had some queries or concerns about IBM's assumptions in relation to HR and finance for item IE priority core development?---I can confirm we had some questions around the - I can't - I'm presuming it was priority core development, but, yes, we did have some questions around some concerns around those questions.

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All right. Can I take you to - I may take you to a more recent volume, volume 35 then, please?---Yes.

Now, this is a clarification request on price and the clarification - you'll see it's dated 27 September 2007.

COMMISSIONER: What page?

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MR FLANAGAN: Page 2, your Honour. 27 September 2007.

A purpose to assist with pricing component, attachment 4, OSF remain scope summary.

And the question is:

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Part F pricing for R7 identifies a DETA OSF as PM only; however, attachment 4.1 remaining OSF scope lists a DETA OSF and CATS. Please advise of both required pricing -

and the response is - do you see there? Do you see the response there?---Yes.

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Just excuse me for a minute. You can take it that's actually a request for clarification from IBM in relation to pricing?---Mm'hm.

Then if you go to page 7 of the same volume, which is item 37.6, it's an email from Maree Blakeney dated 18 October 2007, 11.54 am.

In the cost session yesterday, we discussed CorpTech's requirements to understand the pricing elements to complete the priority core development for financing 1E.

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Is any of this familiar to you?---Any of these things? No.

Did you become aware that IBM sought certain clarification and that your team sought certain clarification from the tenderers, and there was an exchange in information in relation to pricing?---So that's this first document?

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Yes?---On 27th of the 9th?

Yes?---No. And I understand that we sought clarification on pricing but in terms of involvement in those discussions - - -

You see, where I'm heading to is: given that you were the sub-team leader for cost, where are these inquiries coming from if not from your team?---So we would have asked the question and I did - I mean, I guess being new to the organisation, I didn't have any content knowledge or didn't understand the detail of the program of work that was asked to be priced, so I saw my role as collating the information and identifying where we had, you know, issues and then referring that to the technical experts and others who were familiar with the program for them to respond and - or to deal with that and come back, and we would include it in the table. I just did not have the understanding of the program of work what work was actually being asked to be delivered to be able to do that work myself, I guess.

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When you had those sorts of queries, who was your first point of contact?---I raised that first with Terry Burns.

COMMISSIONER: With who?---With Terry Burns.

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Did you know of the ITO and what was required to ask the questions that Mr Flanagan has just taken you to?---Sorry, to ask the questions?

Well, if you look at that request for clarification, did you know - and I know that one came by IBM, but you were taken to some others where CorpTech was asking for clarification. Were you the author of that request for clarification or was someone else the author?---I think someone else must have been. I wasn't familiar with what it was that we were requiring them to do, essentially. You know? It wasn't - I'm not - wasn't familiar (indistinct).

10

I understand that. Can you now recall whether someone on your team has sought that clarification or someone outside your team?---So we raised it, I raised it and with Terry, and I - so who actually sought the clarification, I - you know, I can only take - - -

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No. Who really realised that you needed clarification?
---Who realised it?

Who realised that you needed clarification?---Well, I guess when we looked at the pricing and we looked that there were differences, we realised at a higher level that this needed looking at.

Is that something - this is a long time ago, I appreciate, I'm not being critical at all, I just want to understand it as I can. Was that something that you realised was that there was a deficiency or an inconsistency, or was that pointed out to you by someone on your team or someone else?---I think that at one level there was some inconsistency with how the offers were provided or some differences and so I could see that. I think there was also another process, potentially, to make sure everything was included, to make sure that in the prices that were provided, that these things were included, and I don't know who ran that process or who made that to get that assurance. I don't know where that originated from.

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Thank you.

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MR FLANAGAN: Can I take you, then, back to volume 22 and the evaluation report, and if you can go to appendix D to this report, which is the summary of financial issues, and that commences at page 23? In paragraph 25 of your statement that's been tendered, Ms Orange, you say it was Ms DiCarlo who drafted appendix D, is that correct? ---That's my memory, yes.

1

All right. Did you settle the document?---I didn't settle the document, no.

10

Did you have any input into the document?---I assisted with her and provided, yes, you know, we would discuss the content and so forth.

Is it fair to say that Ms DiCarlo was the author of the document?---I think it's fair to say that she - I believe she authored the document. Yes, I think she wrote it. Yes, she wrote it.

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Mr Shah, did he play a role in authoring the document?---I don't recall. I don't recall.

At paragraph 26 of your statement, you say that, "For priority core development, that was a key area of difference in pricing between IBM and Accenture because pricing for this category was required on a fixed price basis, but IBM quoted on a best estimates basis." I don't need to take you to your paragraph 26 for that purpose. Do you recall that Shaurin Shah and other technical experts were involved in interpreting IBM's costing for this category?---I do.

30

All right. And can you just tell the commission your own knowledge of what the process involved, or what was involved in that process for Mr Shah?---I don't have a great recollection of that process particularly in relation to that item, I have a memory of, and I think it's in the category, again, I'm not sure if it was in that category around variables. Again, I'm not sure but - I don't have a great, clear memory of it but if there were variables provided in that area - I'm sorry, could you repeat the question, I've lost myself.

40

Yes, I just want your understanding of what was involved in that process for costing IBM's estimates?---Yes. I don't recall the detail of it, I'm sorry, I don't.

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We understand from paragraph 26 of your statement that it was Mr Shah who was involved in that process?---That's right.

Did you have any role to play or did you assist him in that role?---No.

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ORANGE, C.S. XN

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But in any event, once Mr Shah and other experts had sought to cost IBM's best estimates where there was a requirement for a fixed price, would you enter that figure on the matrix that you were using for the purposes of evaluation?
---Yes, I think - - -

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Can I be clear, the matrix that you were using for the evaluation process, was that matrix provided to you by Ms Bugden?---Yes.

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Can I just, then, take you to just some statements in - I appreciate that you weren't the author of the document but you did play a role in it. If we go to the first paragraph "Summary of financial issues", appendix D, volume 22, page 23, "The IBM offer represents both the least cost and the most cost effective option." Then it proceeds to say, "On the non-cost dimensions of the evaluation, IBM scored marginally higher than Accenture." The major differentiation between IBM and Accenture was cost, it would seem, is that correct? And it goes on to say, "IBM's prices were generally less expensive." How was it determined that IBM's prices were generally less expensive than Accenture's?---On that pricing matrix where we compiled the information and it produced the summary which had the streams of work, it was a simple comparison between the two.

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But I take it that you actually had no input in determining what figures were actually entered in on the matrix? Sorry, I'll withdraw that, I'll be more specific. You were able to enter in fixed prices from the Accenture bid for those elements of the ITO that were required to be given fixed prices, correct?---Yes.

30

But in relation to the fixed prices for the IBM bid which they gave best estimates for, those figures were arrived at by Mr Shah and others?---I think those numbers were added to, I guess. There was the best estimates and then there was some assumptions made around those and some additional provision made for variables within that added to that to give that final position.

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Can I just take you across the page, then, to page 24? The table at the very top of the page, it says, "Avail for prime contractor payment, \$71.1 million. This allocation is set to be discretionary," and the notes says, "It's intended to cover increase cost arising from converting best estimates to fixed prices, subsequent agreed price variations, other unforeseen expenditure and the cost of IBM's program delivery office and CorpTech resources beyond release 7." Do you see that?---Yes.

50

How was this determined?---The dollar value?

Yes?---It was a percentage. It was a percentage value. It was a percentage, it was a number, it wasn't a number that was built up, it was a contingency like anything, you know. I can't recall whether it was 20 per cent or, you know, 30 per cent but it was on that sort of basis that we've done estimates and these costs, and we need to allow for a contingency in the event of those things.

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In the third paragraph from the end, where it says, "Note that priority core development will be developed under a fixed price arrangement. IBM has generally complied with providing a fixed price, however, there are a number of requirements in this stage for which IBM did not present a fixed price. Its preference was to undertake this component of the priority core on a best estimates basis. In other cases, IBM did not provide any estimate on the basis that there was insufficient information on which to base even an estimate." Do you see that?---Yes.

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"Consequently to undertake the comparative analysis, a contingency of \$1.8 million for finance and 4.4 million for HR" - I think that should be has been "added to IBM's priority core development fixed price." Did you play any role or participate in coming up with those estimates of 1.8 million and 4.4 million?---Only to the extent of putting them into the spreadsheet.

1

The next paragraph, "A further 4 million has been added to IBM's best estimate for release 6 to accommodate increase in infrastructure cost associated with a second instance of SAP, HR of Queensland Health's solution." Again, did you play any role in coming to that estimate of \$4 million for those particular items?---No.

10

At the bottom of page 25 then, it's noted that IBM's best estimate for release 7 onwards are early estimates for each of the agencies and are based on only partially known agency specific requirement. These prices may vary significantly, depending on the final set of specifications that are agreed to, be funded by each agency. Now, when the reference is made in this analysis to prices that may vary significantly - had you turned your mind to how those prices may vary significantly and to what extent?---What I understand by that is that depending on the level of customization or variation in each of the implementations, that would change the price.

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Right?---I think these estimates were based on a very vanilla implementation with minimal change so I think this statement is covering the fact that - if the agencies seek to do additional things then the implementation (indistinct).

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As I read this document though, given that it starts by identifying the remaining budget that treasury had for this rollout and for this project, it would seem that the IBM price - putting aside estimates and assumptions, the IBM price is being analysed with a view to determining whether it comes within the established budget. Correct?---That wasn't my intention, no.

40

But am I mistaken in reading this document that way?---No. No, you're not.

THE COMMISSIONER: I didn't catch the answer?---No, I don't think you're mistaken. I think this was written to a degree from that perspective of affordability, how much of the program could be implemented with the remaining funds.

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MR FLANAGAN: See, there is a difference between an ITO process, it says to tenderers, "The government has this much money, tell us what you can do for this much money," as opposed to saying, "This is the project the government

has, we want your best price in relation to that project"?---Yes, I wasn't part of that original setting up of this ITO and so forth so I can't - - -

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But from your position, would you agree with this proposition: that by evaluating a government tender on the basis of whether those tenders fall within an established existing budget doesn't mean that one is actually comparing tenders for the purpose of determining value for money or indeed who can do the job for the money that they have quoted?---Yes, I'm not sure.

10

See, what I'm suggesting is that one does not go through a tender process by determining which tender comes closest to an existing budget?---Well, we certainly didn't - I did not go through the process in that way. My role was to compile the pricing, make sure, you know - compare them in terms of what was the most affordable. This - no idea of how much of that program of work could be completed was not my role in terms of this piece of work.

20

The difficulty we have, of course, is that you signed off on it as a team leader?---Yes, it is.

Do you appreciate that?---Yes, but it's more a presentation issue, I would have think, than a intention to say - well, so to me it's more presentational - - -

So to be fair to you, would you rely more heavily on the matrix which you populated for the purpose of determining what constituted value for money?---I would rely upon what we would get for that money as well, so it's not just the money, "This one is cheaper than that one," it is also, "What are we getting for that?" which I understood the other streams were looking at that and that's why the pricing information was disclosed to them so that that could be tested against the price so I saw value for money as being what we were getting for it in terms of delivery.

30

Thank you. Can I then turn to page 26 which deals with IBM's key assumptions. The very first paragraph says:

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There are a number of assumptions made by IBM that have a significant impact on CorpTech resourcing or identified parameters that are likely to drive price variations in the future.

What does that mean?---I don't recall what these assumptions were. I can say that a component of the program of work or project was that CorpTech would provide resources to the work. I can only think that it refers to that but I can't recall what those assumptions were.

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Then the third paragraph from the end of that page: 1

IBM will convert all best estimates to fixed price deliverables after three months of intensive forward planning across the sector.

To your knowledge, did that occur?---Yes, I understand that occurred.

Right. Do you know what the result of that was, that exercise being undertaken?---I don't. I don't recall. 10

Can I then take you to what appears to be a draft of this final report which is referred to as annexure E but if we could go to volume 20, page 587. I can be fairly brief with this document. It's page 587, Ms Orange?---587.

This would appear to be a draft of what becomes annexure to the final evaluation report. Can we take it that this was drafted by Ms Di Carlo?---That's what I would think, yes. 20

There's just a couple of notes however that I would like you to explain if you can. If you look at page 588, you will see in bold under the third paragraph where it's talking about IBM's proposal, the central funds will extend to paying for the priority core development release 6, excluding agency specific and OS functionality (however far the money extends). Do you see that?---Yes. 30

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That would seem to suggest that the consideration being given for the tender evaluation was a consideration of how far, according to each proposal from the tenderers, the existing budget would stretch or would extend?---I think it was more information. I think it was more a way of presenting the information back to the - more so than being a consideration.

1

Do you know who asked for the information on costings to be presented this way by reference to the existing budget?---I don't know.

10

Did you discuss that with Ms DiCarlo, for example?---I think it would be fair to say that was the perspective that she brought to this was that the funding that was available and how far it could be - what could be done for the remaining pool of funding.

In your discussions with her, do you know why she analysed it or presented it in this way?---Unless, you know, only in that was the funding available for the program, but no, I don't - - -

20

All right. To your knowledge, was she acting on instructions in presenting it this way?---Not that I know of, no.

Okay. And then you'll see a not dissimilar notation at the end of the document at page 588, "Extend table as far as available money will allow." That's in the context of the extent of IBM deliverables that can be funded from available funding sources are outlined in the table below? ---Mm.

30

Then if one was to go to volume 22, you'll see there then where there is a table inserted in the final draft - sorry, in the final document. So where it says, "Extend table as far as available money will go," the table extends to the extent of the progressive totals of \$40.8 million for the centrally funded cost for development?---Mm.

40

\$8.8 million for agency funding, specific cost, development cost I would say?---Sorry, the table?

Yes?---Yes?

Did you have any part in populating that table at page 25 of volume 22?---Yes. It was populated from the information that we compiled in the matrix.

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Thank you, commissioner, that's the evidence-in-chief.

COMMISSIONER: Yes. Mr MacSporran?

MR MACSPORRAN: Thank you, commissioner. Ms Orange, one of the disadvantages you have is coming in after the invitation to offer had been issued. You started on 17 December, which was some days after the invitation to offer had gone out. Is that so?---Yes. **1**

And you had therefore no involvement in that process at all?---That's correct.

And your first sighting of the responses was context we hadn't seen, the invitation to offer itself?---That's correct. **10**

But having said that, you had with you as part of the team, the cost team, Ms DiCarlo?---Mm.

And you understood that she had a long history with this particular program?---Yes.

And you relied, did you, heavily upon her? You told us you did?---I'm sorry? **20**

I think you've told us you did?---Yes, I did rely heavily on her.

Necessarily because the position you were in?---Yes.

You had to rely upon her?---Yes.

And indeed, you relied upon others who, in your view, had the appropriate expertise to assist you?---That's correct. **30**

One of those was Mr Shah?---Yes.

And I think you gave an example referring to appendix D. We gave that again briefly. If you go to page 24 of appendix D?---Mm.

You've told us, I think, that those figures which were added to the assessed figures for IBM in the sums of 1.8 million and 4 million, 4.4 million, came back from Mr Shah and others?---Yes. **40**

Did you know who the others were or did you leave that to Mr Shah to organise?---Yes, basically, yes.

He organised them for you, didn't he?---Yes, that's my memory, yeah.

But you did that on the basis of those persons were one to have the appropriate expertise to assist you?---Yes. **50**

And indeed, additionally, you were able to rely upon Ms Bugden - - -?---Yes.

- - - despite the fact that she was able to take up the role, she had made herself available for any consultation with you over any issues that arose during this process?
---Yes, she made herself available.

1

And I think you've told us already, you took her up on that at some stage?---Yes, I did.

Can you recall now how much contact you had with her and in what context? I know it was a long time ago?---Yeah. There may have been a phone call but there was one day she actually came down, maybe at the end of the first week. I can't remember our specific concerns or issues that we were asking for input on, but she sat with us and went through those - you know, the questions that we had. And I'm not sure, but I believe we would have shown her those initial documents, but, yeah, she came down, she spent some time with us, you know, a morning or an hour or two, or something like that.

10

Yes. Now, on that occasion, did she come down at your request or did she simply turn up to assist. Do you know?
---Oh, no, we - I think we spoke by phone. I can't be for sure. And I think we may have - we would have said, "Can you" - you know, "Can you come down," or she may have said, "Well, I'll come down and" - yeah. But she didn't pop up out of the blue to assist.

20

And she spent some time with you?---It was a morning or a couple of hours, or something like that to have a look at what we were doing.

30

And were you satisfied at the end of that process that your queries in relation to what you needed her assistance were satisfied?---Yes. I think that she - you know, she assisted us.

Did she, during that process, have any queries of the approach that you and your team had taken during the course of this evaluation?---No.

40

So at the end of that session, I take it you don't remember the date of that. If we look at the process finishing on about 23 October, how long before that date you had this session with Ms Blakeney?---I've got a vague recollection, I'm not sure, but it was at, like, at the end of the first week where we had compiled the information and were, you know, looking further into it that we engaged her assistance, so - but I, you know, I can't be sure what - when that was in the process the first week, but that's the first week, second week of it.

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And I take it, apart from the evaluation report itself and drafts of it, you have no other notes or documents you can refer to, to refresh your memory about the process itself

and what it entailed from day to day?---No, that's right, I have no, I have no documentation and have no - - - 1

And you're given us in evidence your best - in your statement and in evidence here today, your best recollection of that process?---Yes, I have.

All right. Thank you.

COMMISSIONER: Mr Doyle? 10

MR DOYLE: Thank you, Mr Commissioner.

Do you have your statement with you?---Yes.

Just a couple of things in it. If you go first to paragraph 4, you refer to a process which was the request for offer or request for proposal stage. Do you see that? ---Yes, I can. 20

It's the case, isn't it, that you weren't there during whatever may have happened at that earlier stage of request for offer or request for proposal, you were not present? ---That's correct.

And you, as far as you know, haven't seen or read any documents which related to that earlier stage?---That's correct.

Thank you. You were asked some questions which you've dealt with in your statement about Mr Burns' involvement in the process and I think you say of him that he was not a decision-maker but rather than the manager of the process. Would that be a fair way to describe it?---That's what I saw him doing. 30

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And that whilst you may have had discussions with him, in them, you're not aware of him expressing any preference to one supplier over another?---That's correct.

1

All right. Thanks. Now, can I ask you about some of the things you dealt with today, and you can put that aside now. One is this price matrix, as it's being called. You were given a spreadsheet which had lots of columns and rows to fill in some information. That's right?---Yes.

10

And the breakup of the rows, at least, was to break it into the items, item 1A, item 1B and so on which correspond with schedules intended to be provided by the tenderers in their response to the ITO?---Yes.

And then underneath, for example, item 1A, you would break it up into the particular tenderers, Logica, Accenture and IBM?---I think we went - - -

Across the page, perhaps, you may be right. And the task that you undertook was to extract from the various schedules in the ITO responses, at that high sort of topic level, the figure as best you could so some form of comparison can be made between them?---Yes.

20

And if I've understood you correctly, you said, "To do that, in some instances you needed to have some exterior help, some IT help to understand the comparable insert." Is that right?---Yes.

30

Whilst you've called it a "matrix", the ultimate thing you were doing was taking some figures of the schedules provided by the tenderers and putting them onto a common schedule - - -?---Yes.

- - - so that they could be visually compared?---That's correct.

All right. Now, in the course of that you may or may not have sought some more information from the tenderers. Is it that you can't recall, or that you can recall you didn't, or you can recall you did?---I think additional information or a question and answer session was set up to have specific questions answered.

40

All right. Mr Flanagan has taken you, today, to emails which suggested at least meetings being organised for 22 October. Do you recall that?---No, I don't recall that.

50

There was some emails you were shown earlier today?---No, sorry, yes, I recall that he referred - - -

You recall that you were shown them?---Yes, I recall that they were shown, yes, sorry.

You can't recall attending the meetings?---That's correct. 1

But you've no reason to suppose to you didn't, is that a fair way of putting it?---No, I don't recall any meeting other than the group sessions that we had with each of the tenderers.

You might explain that to me. Were there sessions where all of the evaluation team sent representatives, and an individual tenderer would send representatives, to make some kind of explanation or presentation or clarification? ---It was a question and answer session set up around cost, I think, but when I say "they were wider", there wasn't just the three people on the finance team and the tenderers there, there were other people involved and the experts involved in the evaluation process engaged in those discussions, that's what I mean by that. 10

All right. So you certainly recall attending at least one such session?---Yes. 20

More than one?---I don't recall attending more than one.

Do you know whether in the course of the evaluation process some written questions were submitted to the suppliers and they provided written responses?---I recall that happening, yes.

And do you recall that you were given those responses even if you can't now recall what they were?---I will guess that I was given them but I don't recall - presumably, I was given them but I don't recall that happening, it's not in my memory. 30

Well, you haven't had your memory refreshed by being shown them in the last day or so, I take it?---No.

Do you still have volume 30 with you? Would you go, again, please to page 1471? You were shown this a little while ago?---Yes. 40

It's an email from Maree Blakeney to various people, and attached to it is a schedule to which you were taken which invites an answer, essentially, is something in or out? ---Yes.

Now, is that the kind of information that you would have been seeking to assist you in the compilation of the schedule which you've been calling a "price matrix"? Can you recall?---I can't recall the context of this, I'm sorry. 50

Would you mind turning back to page 1403 in that same volume? And you'll see there's an email from IBM, Mr Bloomfield, to Maree, and if you got across to page 1405, there is the response to that schedule?---Yes.

13/3/13

ORANGE, C.S. XXN

Contrary to something I've said a moment ago, where IBM has provided that response. Now, do you recall if you received that in the course of your evaluation process?---I don't recall.

1

All right?---I vaguely recall this process happening, but do I actually recall the detail of it - - -

Well, probably the detail doesn't matter. That you "vaguely recall it", can I suggest to you, means this is an exchange which was relevant to what you had to do even if you can't now recall what you did with it. It was something which was relevant to your task?---Yes, it was relevant to the evaluation. Yes.

10

And you would have looked at it and taken whatever was appropriate to take from it in order to inform the price matrix, as you put there?---It would have been reviewed, yes, to ensure that things were covered, yes.

20

Does that mean by you or by someone else?---Well, that's the - that's what I don't recall, in terms of who undertook that process of assurance. But who in the team undertook that - - -

Well, it was your job to ensure that someone in the team undertook it, that would be right, and you can't now recall who it was. Is that the right way to look at it?---Yes, I can't recall the - - -

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Very good?---I can't recall.

Can you put that volume aside now, please. Do you still have volume 22, which includes the evaluation report? Turn, please, to page 3 where there's an evaluation process set out. Do you see that?---Yes.

And you received a briefing on the process before you embarked upon any contribution towards the evaluation of this ITO?---Did I receive a briefing?

40

Did you receive a briefing on what the process was to be before you picked up your pen and started to work on it? ---I attended briefings on the process of the evaluation process in, you know, a practical way in terms of how things were going to transpire over the course of the period, over the course of the evaluation process.

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Right. And reading what is now set out as the stages of the process, which is set out here, is that in fact your recollection of the process that was followed?---I mean, I would have to read it. I don't - I was focusing on the financial evaluation, this was for the whole process, so review the offers.

1

Well, let me try it this way?---Yes, sorry.

In the process that you were engaged in, you at least received the schedules of the tenders which identified the prices?---Yes.

10

And you took whatever steps you needed to understand those things in order to help you fill in your own schedule?---Yes.

If that included talking to IT people or whomever, you did that. Yes?---Yes, we did that as a - yeah. I mean, we compiled the information first and then we asked the - you know, then we consulted after.

20

Rightio. So you got the information together, you consulted as you thought necessary?---Yes.

You were involved in at least one collective meeting with the tenderer - - -?---Yep.

- - - or each tenderer - - -?---Yep.

30

- - - where you had the opportunity to hear what was being said by others - - -?---Yes.

- - - and ask if you have any questions that you wanted answered?---Yes.

You were aware that there was also a process by which written requests could be made for information, responses provided - - -?---Yes.

40

- - - and they would be read by you or someone in your team - - -?---Yes.

- - - and to take into account as you thought necessary?---Yes.

There was also a process then to get together with the other team leaders and discuss the whole thing - - -?---Yes.

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- - - to go back and review what work you had done and then to work towards, finally, a report that you were prepared to sign?---Yes.

That was the process?---Yes.

Okay. And you did in fact sign this report?---I did. 1

Which, even if you hadn't had it recently, I assume you did only after reading it?---Yes.

And being satisfied that it was true, as far as you knew? ---Yes.

Now, if you turn across to the evaluation model, which appears at page 7, it identifies, doesn't it, a series of five categories, C1 through to C5?---Yep. 10

Yes?---Yes, it does.

And a weighting to be given to those categories?---Yes.

To obtain a weighted score?---Mm'hm.

And if we turn across to page 9, do we see set out in tables the weighted scores for respective tenderers?---Yes. 20

And then if you go back to page 8, there's the identification of the cost analysis, which is a cost benefit analysis identified by reference to a formula. Do you see that?---Yes.

Not a very sophisticated formula but a formula?---Mm'hm.

And if you turn back to page 9, do we see under the heading Cost Benefit Analysis some costs identified?---Mm'hm. 30

You see that?---Yes, I do.

Now, in a way we'll come to in a moment, those figures are figures which are intended to be taken from your matrix? ---Yes.

Is that right?---Yep.

That's where your work factors into this report. Is that how we understand it?---Yes, that's - yep. 40

Then there's a cost benefit analysis with that formula we looked at a moment ago to give the result?---Mm'hm.

Is that how it works?---As I understand it, I - as I understand it, yes.

Well, I'm asking about your understanding?---Well, I produced the dollars; the cost benefit numbers were generated by Terry, I presume. I didn't do that calculation myself. 50

Okay. Well, assuming the maths to be accurate - - -? 1
---Yes, okay.

- - - the process was the one I described to you?---Yes.

Now, there's no part of the application of that evaluation methodology to take into account the amount of money which is left to the government to spend on this project, is there?---Not that I know of, no. 10

Thank you. Now, if you turn, please, then to - sorry, just excuse me. It's appendix D, which I think is at page 23 of that book. Now, I think you've told us that Ms DiCarlo was the author of this?---That's my understanding, yes.

But nonetheless, she was working in cooperation with you? ---Yes.

You would have read it?---Yes. 20

And it wouldn't have made its way into this report without your approval?---Yes.

So that whilst your degree of knowledge may not be as acute as hers, you obviously accepted as truth, to the best of your knowledge, the matters that are set out here?---Yes.

Would you turn, please, to page 24. There's a table at the top of that page, which is preceded by the words "known in-house expenditure". Do you see that?---Yep. 30

For which central funding allocation is required?---Yes.

Now, Ms Orange, you understood, tell me if this is correct, you understood that all of the proposals, Logica's, Accenture's and IBM's, required the agencies or the departments themselves to be able to contribute something towards the implementation and use of the rolled out shared system?---Yes. 40

But they would have to amend their own systems or amend their business practices in order to get ready for the thing, whatever it is?---That's what I was - yeah.

And you also know that the whole process would involve - it varied between tenderers but the process of the tenderers themselves performing their work expressly and averted to a requirement that CorpTech and the departments be in a position to provide assistance of various degrees?---That's what my understanding was. 50

In that context, was it relevant to know whether those departments and CorpTech had the funds to do those things which the tenderers in their tenders said they required them to do?---Could you ask me that again, sorry?

I'll put it more forcefully. It's obvious, isn't it, that if a tenderer says in its tender, "I've assumed a certain degree of cooperation and support and activity and productivity from CorpTech and the departments that one needs to know whether CorpTech and the departments have the funds to do those things" - it's obvious, isn't it?---I guess if we - yes. Sorry, the tenderers need to make that assumption? 1

No, the tenderers identified the assumption but the government needs to, itself, satisfy itself that the departments have the money to do those things?---Yes. 10

And isn't that what this table is directed to identify? ---Essentially, yes.

The in-house funds or the in-house expenditure required to do the things which in this case were required if IBM was the successful tenderer. 20

COMMISSIONER: On that theory, what's the need to put in the amount available for the prime contractor? 20

MR DOYLE: It shows that overall there's enough left over.

COMMISSIONER: I'm sorry, I don't follow that. If there's 71 million for the prime contractor and the other amounts are there for the agencies, how does that fit in with calling a tenderer, asking what your price would do in this whole job. 30

MR DOYLE: Well, commissioner, the tenderer is called to do a particular thing.

COMMISSIONER: Yes.

MR DOYLE: The particular thing is identified as being, "We can do something, but you have to do something as well." 40

COMMISSIONER: Yes.

MR DOYLE: And this table ultimately, we'll submit, identifies that prudently someone is asking the question, "Can those other things be done?" Take out what's needed for the tenderer, is there enough left over to do the things which the tenderer says have to be done. If the answer is yes, then it's something that's in favour of this proposal going ahead; if the answer is no, the tenderers assume we're going to do a whole lot of things which there's just not enough money for the government to do. 50

COMMISSIONER: I hear what you say. I don't see how it fits in with this odd document, appendix D.

MR DOYLE: Well, not my document, your Honour.

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ORANGE, C.S. XXN

COMMISSIONER: No-one, I think, is keen to claim ownership of it. 1

MR DOYLE: Well, someone's having it attributed to them, it's fair to say. Yes. I've asked the question. I want to ask you: my learned friend a moment ago, I think, asked you about the words which appear under the table, "This allocation is discretionary." Do you see that?---Yes.

COMMISSIONER: Is it page 25? 10

MR DOYLE: Page 24.

COMMISSIONER: Oh, yes, yes, yes.

MR DOYLE: But that is - it's right to say that's a notation which is to be read as qualifying the contingency allowance which is provided?---That's correct.

Thank you. I notice the time. 20

COMMISSIONER: How long will you be with Ms Orange?

MR DOYLE: Probably quarter of an hour.

COMMISSIONER: Oh. We'll come back tomorrow, then, at 10.00. All right. We'll adjourn until 10.00 tomorrow.

WITNESS WITHDREW 30

THE COMMISSION ADJOURNED AT 4.31 PM UNTIL THURSDAY, 14 MARCH 2013

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