

QUEENSLAND HEALTH PAYROLL SYSTEM COMMISSION OF INQUIRY

ADDENDUM STATEMENT OF JOANNE BUGDEN

I, Joanne Bugden, of an address known to Crown Law, state as follows:-

1. I previously made a statement dated the 6th March 2013. I have been asked to comment on some specific matters concerning costing analysis in the evaluation process referred to in paragraphs 45 and following of my previous statement.
2. I have previously participated in a procurement process in the Department of Natural Resources and Mines undertaking a financial advisory role. Recently I lead the procurement process for the outsourcing of court recording and transcript production.
3. On the 12 March 2013 I was provided the pricing information that was supplied by Accenture and IBM in response to the Invitation to Offer (ITO). In addition I had access to the ITO and responses provided by Accenture and IBM to clarification questions. I have also been provided with the documents from section 18.9.6 of the tender bundle which is before the Commission.
4. I reviewed the documentation with a view to:
 - Determining how the comparative pricing position was developed and used in the evaluation
 - Tracing the pricing information from the offer documents to the evaluation documents.
5. My observations of the pricing information are as follows.
6. There are very material variances in the pricing between Accenture and IBM, particularly with respect to the development and implementation phases of the project.
7. There is no clear information available that explains the material price variances.
8. I give the following examples of these variances:

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- (a) Priority core development – Finance – IBM \$753k; Accenture \$6.2m
- (b) Priority core development – Human Resources – IBM \$1.8m; Accenture \$16.4m
- (c) Release 7 – Priority Finance/OSF and Joint Implementations – Queensland Health – IBM \$683k; Accenture \$4.7m.

9. Based on the information that I had available to me I am not comfortable that there was a sufficient interrogation of the basis by which the pricing information had been developed by Accenture and IBM. I believe that the significance of price variances should have warranted extensive further communication with both vendors. Although on the documents I have seen there were some enquiries in the form of clarification requests sent to IBM and Accenture, they tended to be at a lower level dealing with fine detail rather than these “big ticket” items.
10. A number of documents were available which provided comparative pricing information for Accenture and IBM. On reading each of these documents the prices detailed across these documents vary materially in a number of instances. In all documents IBM pricing was the most favourable, but the degree of price variation for particular elements is significant and should have been thoroughly investigated.
11. A document entitled “Summary of Finance Issues” Appendix D (page 23) noted that the IBM Offer represented the least cost, with IBM scoring marginally higher on the non-cost dimensions.
12. Based on this information price appears to have been the primary determining factor in selecting the Prime Contractor.
13. Appendix D had a significant focus on the level of funding available to fund the remainder of the systems development and implementation activities. An assessment was made in this document of how much of the program of work could be implemented within the level of funding available for a Prime Contractor. [REDACTED]
- [REDACTED]
- [REDACTED] there was not sufficient interrogation of the pricing information supplied in order to minimise the likelihood of a price escalation.


Joanne Bugden
Document No: 4254265


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14. I have also had the opportunity to look closely at the ITO process, and I can make the following observation. The ITO provided for an item entitled "Multiple Statements of Work" commencing at p24 of 60. This included Line item 1E – "Priority Core Development (including awards)". This was to precede the subsequent statements of work which were to be contingent on its successful completion; this is because awards were integral to the process. Yet in Attachment 6 to the ITO, the Program Schedule, there is at least a conceptual commencement of the implementation of item 1G prior to 1E concluding; this tension made interpretation of the ITO and its requirements by the tenderers problematic. Attachment 6 is inconsistent with the body of the ITO and the result is confusing.

15. I voluntarily make this statement to the Commission of Inquiry. The contents of this statement are true and correct to the best of my knowledge. I acknowledge that any false or misleading statement could be an offence against the Commission of Inquiry Act 1950 or contempt of the Commission.

Dated at Brisbane this 15th day of March 2013.


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