

# Health Payroll System Commission of Inquiry

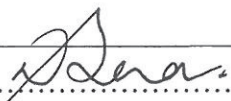
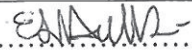
## STATEMENT OF DARRIN JOHN BOND

I, **DARRIN JOHN BOND**, of an address known to Crown Law, state as follows:-

### Background

1. I worked in CorpTech from approximately its beginning; from 2003 through to 2007. I left in late 2007. At that time, CorpTech was part of Treasury.
2. Until 2007, CorpTech worked on a model where we had partnerships with external organisations for specific purposes. For example, we had a partnership with Accenture to assist in HR implementation. We had partnerships with other companies for aspects such as testing, program management and quality assurance. There were particular vendors that were responsible for those particular functions.
3. Accenture was CorpTech's implementation partner for HR and had undertaken a HR rollout in the Department of Housing.
4. My direct supervisor was Mr Geoff Waite. His clearly stated view was that the government could not totally outsource risk and we retained ultimate responsibility. We both held the belief that we could not go to a single prime contractor and say, "Could you take this over and do all of this please?". Our shared view was that we needed to package particular pieces of work and go to providers for those particular pieces.
5. Mr Terry Burns was commissioned to conduct a review of that model. He recommended, in a report, that we move to a prime contractor model. This was, as I explain below, the main reason why I left CorpTech.


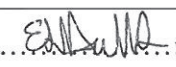
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6. An Invitation to Offer was issued in September 2007 seeking responses from vendors to take on the prime contractor role.
7. My role within CorpTech at this time was as one of the program directors. The responsibilities of my role were to lead the design, development and implementation of the whole-of-Government finance and human resource solutions.

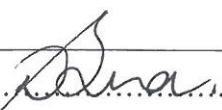
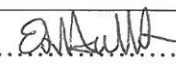
**Engagement of Terry Burns**

8. Barbara Perrott engaged Terry Burns. He conducted a review which led to a recommendation that a prime contractor model be adopted. As a result of that review, CorpTech ended the various arrangements it had with most of its existing partners.
9. Once Mr Burns came in, I was directed by Barbara Perrott to give him any information he needed. By the time we were at the tender stage, I was providing information to Terry Burns for him to use in the tender process.
10. IBM won the tender. I was involved in the evaluation of tenders, as a member of the evaluation panel.
11. Within the tender evaluation I had responsibility for two particular streams of work, being the technical component and functional and business components. I was the team leader for these two components. I prepared reports for both of the components I led.
12. Terry Burns led the overall evaluation process.
13. When the evaluation process was underway, it became clear that IBM was not winning the components of the tender I was evaluating, Accenture was. This was perhaps two-thirds of the way through as we were starting to look at scores and bring them together. I did not know the scores of the other components, so I did not know the overall

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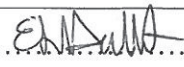
provisional result, but I certainly knew the results in the sub-teams in which I was involved.

14. In the course of a meeting of the Evaluation Panel, Mr Burns said he did not believe that we were considering all aspects and he pointed out a number of other dimensions that we should consider. I cannot recall precisely what those areas were however I remember thinking they seemed logical. He said that we were not giving a fair hearing for all companies that had tendered. He recommended we revisit our scoring. We did this and IBM became the successful tenderer for the components I was scoring.
15. Before Mr Burns did this we had submitted scores and we had looked at offers. We had considered capability and such matters. The view Mr Burns expressed was that we had not fairly looked at all aspects of all offers. There were some dimensions he asked us to consider. I cannot precisely recall exactly which they were. I believe they were things such as human resource capability, experience and such things. He said that we should go back and re-read the submissions and re-evaluate based on having taken these points into consideration.
16. Mr Burns said "I think you need to consider these particular dimensions". He was not specific about a particular vendor. He was broad in his description of what he wanted. He pointed out that perhaps we could take a different view or a different angle. The view he communicated was that in looking at criteria we were looking at it from the wrong angle, and we should look at it from a different perspective. At no time was there any addition of new criteria or a change in the score weighting.
17. Each sub-team had written evaluation criteria. The matters to which Mr Burns pointed were part of the written criteria by which the tenders were to be assessed.
18. As a result of Mr Burns' statements referred to above, my teams reassessed and modified the scoring allocated to Accenture and IBM. The effect of this was that Accenture ceased to be the primary choice of the evaluation components I led. Had it

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not been for the talk from Mr Burns, Accenture would have led those evaluation components, rather than IBM.

19. I recall being uncomfortable with Mr Burns' conduct in these meetings. The main reason for my concern was that I knew Mr Burns to be a private contractor rather than a public servant and I felt that such a senior role should have been carried out by a permanent public servant. This was because a senior public servant would be less likely to have conflicts of interest and because a senior public servant would be more conscious of the need to avoid such conflicts
20. I had not, at this stage, seen what price was proposed by the tenderers. Price was excluded so that it would not influence our scoring on other components.
21. I am not aware of any communication with Accenture by any member of the evaluation panel to the effect that it was the company which was, at that stage, the front runner to win the tender. There were fairly tight protocols on documentation and where the documentation was held to prevent this. We were in a location separate from the normal work area. There were, however, a number of people working on the evaluation. I do not know of any information being leaked.
22. I believe the statement by Terry Burns to the effect that we should revisit our scoring of the tenderers and that we had not considered the proposals fairly, was said to all the leads of the subteams (I believe this may have included Ms Colleen Orange who had responsibility for the cost component of the tenders). This occurred in a meeting. I did not take notes at that meeting, but I do recall that there was a scribe present.
23. I did not express, at that meeting, any objections to Mr Burns. I did, however, raise concerns with Barbara Perrott a day or two after the meeting. Her response to me was that I had had my opportunity and that Terry Burns was now leading the initiative. The discomfort I felt was the reason that I expressed this concern to Barbara Perrott. One of my main concerns was that someone who was not a public servant was leading the

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actual evaluation and, as I have said above, from a probity perspective, I felt that was inappropriate.

24. I was aware of the "Evaluation Process" set out in section 3 of the "Team Evaluation Report for ITO No:435/000334" at the time of the evaluation. In particular, I understood that the purpose of stage 1 was to review the vendor offers and prepare draft scores as part of draft team reports. Further, I understood that the purpose of stage 2 was to review the draft reports and, to that end, "review and moderate scores considering holistic evaluation".
25. I have no evidence that Terry Burns was other than independent in this process. I do not know if a conflict of interest declaration was ever signed by Terry Burns.
26. Documents of the evaluation panel were kept in an electronic file directory where all the evaluation documents were kept. There would be many documents in that electronic file.
27. There was also a paper file kept by the evaluation panel about one lever arch folder in size, but mostly it was kept electronically. I would estimate there were about 80 or 90 documents in the electronic file. All of the tender submissions came in electronically and were kept there.
28. I would estimate that the evaluation process finished in late October 2007.
29. Communications between CorpTech and tenderers took place. I typically attended meetings early in the process to present to these organisations.
30. Once IBM was recommended (but prior to a contract being finalised), I went to a number of meetings with that company. They were held at the offices of the lawyers Mallesons Stephen Jaques. They were the legal representatives at the time. Terry Burns also attended all those meetings. IBM had a number of people there gathering

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information. I would provide an overview of the initiative, the current status, the approach that we were taking, talk about high-level technical matters and outline some of our key challenges. I was always asked to leave the room for any contract negotiations. Mr Burns typically remained in the room while those discussions took place.


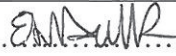
31. Terry Burns' role was the overarching lead on the contract negotiation process.

**My departure from CorpTech**

32. I left CorpTech in December 2007. In early 2007 while Geoff Waite was on holidays and Barbara Perrot was acting in his role, Terry Burns was engaged to undertake a review. He was engaged through Arena Consulting. When Mr Waite came back from leave I raised concerns with him and said, "I'm really not comfortable where this is going". Mr Waite said, "At the moment the initiative was costing more than we had planned and we need to look at all ways to try and reduce cost."

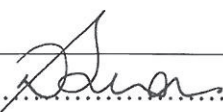
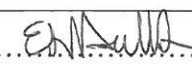
33. Terry Burns was quite assertive in his approach, bordering on aggressive. He was negative about the work that CorpTech had done to date. I understand that, in a meeting with Gerard Bradley, Barbara Perrott, Geoff Waite and Mike Burnheim, Terry Burns made many negative comments about CorpTech's performance. I understood those remarks to be particularly targeted at the work that I had done. Mr Waite (who told me about what was said at this meeting) advised me that he had opposed those comments and walked out of the meeting. Shortly after he went on leave and never returned to CorpTech.

34. Barbara Perrott started as Executive Director of CorpTech after Mr Waite had left. She was always very clear with me (but never in a hostile way) that Terry Burns' recommended way forward was the best solution for government for this particular initiative. Barbara advised me that the way we had been doing things was costing way too much money and we needed to look at new ways of undertaking the initiative. She

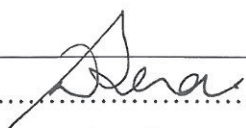
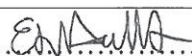
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also stated that Terry Burns had been brought in and he was going to lead this now and I needed to give Terry Burns any assistance or information he requested.

35. Up until that point my responsibilities within CorpTech were the design and implementation of the whole-of-Government finance and HR solutions. CorpTech had already rolled out to about 13 departments for finance and one department (the Department of Housing) for HR. It was a tough initiative. Each day I would go and essentially be abused by people in the various departments who did not want to have a standardised system imposed upon them. It was a very hard job.
36. Mr Burns offered a new model to go forward. That model was to engage a prime contractor. I had concerns with his proposed model. My main concerns were that to do so, the government needed to specify its requirements in a great amount of detail and a great degree of accuracy. Under the model which CorpTech had been operating, the State was not committed to a prime contractor under a major head contract. As a consequence, it is not as important at that stage to have all the requirements stated. Once the State entered into a head contract with a prime contractor, it becomes essential to have those requirements and specifications defined. But in this case, agencies were still debating and arguing about what they would or would not get and what they would or would not accept. Without that agreed, the prime contractor would come in, the scope would continually vary, and the prime contractor would claim variance and the cost and the timeframes of the contract would blow out.
37. I was concerned about this and I had written alternative proposals that I took and presented to Gerard Bradley at the time. Mr Bradley told me "I see what you're saying, but we have to try something different. We have overspent and we need a cheaper way to go forward." Barbara Perrott also spoke to me and said, "You might want to look at your career and that it might be a good opportunity to move to somewhere else." In August or September 2007, I started looking for a job and left in December 2007.

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38. I presented the proposals referred to above to Mr Bradley in about May or June 2007. The document said that we should not implement within Queensland Health in the first instance. I believed and stated that it was way too complex. It was close to the most complex award structure in government and coupled with its size, was extremely complex. The proposal also said that we were trying a model that had not been proven - in that we had not used WorkBrain in the implementation in the Department of Housing. To try it for Queensland Health was, in my mind, way too risky. I told Mr Bradley that we should continue HR implementations in some of the departments that use the Public Sector Award, then branch out into some that use a small number of additional awards, but not as complex as Queensland Health; and that Health should be one of the last ones that we come to, as opposed to one of the early ones.
39. I also recommended that we should continue with the implementation of the whole-of-Government finance solution as it had already been successfully installed in a number of agencies.
40. The complexity of Queensland Health's awards made it all the more important to have in place, scope documents and to know the business requirements. The awards in Queensland Health are extremely complex. Added to this problem was that IBM changed the design as to how the awards would be interpreted. The initial design placed the awards engine in SAP; while WorkBrain was intended to process rosters and send that information into SAP. But IBM changed that technical design to do award interpretation in WorkBrain. In my opinion this was a problem, because complex award interpretation was to now be undertaken in an application that was not designed for such work. SAP is a strong, robust HR solution. It is built for large scale purposes and it is built for complex award interpretation. This model also created a greater reliance upon there being good interfaces between SAP and WorkBrain.
41. So in my opinion IBM should have used the components for their specific purpose. I did not agree to the new IBM design.

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- 42. When I left CorpTech, I went to the Department of Communities to lead their ICT portfolio of work. I became the Chief Information Officer within that department.
- 43. After leaving CorpTech I have had no involvement with the Queensland Health payroll system.

**Observations about the process**

- 44. In my opinion the solution which was adopted by Terry Burns was incorrect. The State should not have adopted the prime contractor model at that point in time. Within CorpTech in early 2007 we had begun reviewing the vendor relationship model and had received submissions from SAP, Accenture, IBM and Logica. All involved a model where risks were shared and no single vendor had complete control of the entire initiative.
- 45. Another problem was being too adventurous in trying to do such a complex implementation without first doing other implementations that were simpler. A staged process through government would have been more appropriate, starting with simpler, medium sized agencies and later stepping up to complex agencies.
- 46. IBM had been doing work in CorpTech for a number of years before it entered into the December 2007 Contract. The contract ought to have been one which commenced with an implementation in a simple department. The contractor would initially be given six months to undertake the work and that the State would evaluate how it performed. If that implementation had gone successfully then the contract could be extended to the next, say, five departments. However in the model adopted, once IBM had commenced work with Queensland Health, it was well embedded into a huge implementation. I do not think that a threat by the government to IBM, that if it was not performing then the contract will be cancelled, was an effective strategy for managing IBM in that particular instance because it was such a large piece of work with such a huge reliance on a single vendor. I believe the principal faults were the

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strategy that was adopted and the subsequent contract management of the vendor. In my opinion the overall approach and design of the model that CorpTech adopted in the 2007 Contract was incorrect.


- 47. Had it been my decision, I would not have taken on an implementation within Queensland Health at that stage. I would have implemented in smaller agencies first and then progressed up to the more complex environments. Even if Health was to come earlier than perhaps I am suggesting, at least three or four agencies ought to have been done beforehand to make sure that the contractor can perform and that the claims they were making were true and that the design was effective.
- 48. The rollout to which I have referred in the Department of Housing was not a sufficient precursor to Queensland Health. There was, for example, an absence of rostering. Housing used only the Public Service Award, unlike Queensland Health which operates under a number of complex awards.
- 49. It would have taken six to nine months to identify the business requirements for Queensland Health, but only if there was strong change management and support within Queensland Health.

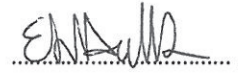
**Mr Hood**

- 50. Mr Hood was the Deputy Executive Director of CorpTech. I believe he would have been present when Mr Burns told the sub-team leads to revisit their scoring which I mentioned above.
- 51. My knowledge of Mr Hood's involvement in the tender process was in a role similar to mine. He was involved in developing up one of the schedules or one of the components that needed to be evaluated. He would have led one of those evaluation processes and would have provided recommendations in a similar way that I did. His role would have been more around the ongoing support of the solution.

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52. 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 *Commissions of Inquiry Act 1950* (Qld) or contempt of the Commission.

  
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Darrin John Bond

  
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Witness