



**QUEENSLAND HEALTH PAYROLL SYSTEM
COMMISSION OF INQUIRY**

Statement of Witness

<i>Name of Witness</i>	Rose diCarlo
<i>Date of Birth</i>	
<i>Address and contact details</i>	Known to the Commission
<i>Occupation</i>	Retired
<i>Officer taking statement</i>	Anastasia Nicholas and Elizabeth Kenny
<i>Date taken</i>	01/03 /2013

I, Rose diCarlo state:

Background – Shared Services Provider

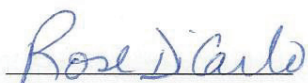
1. Prior to taking a redundancy package at the end of November 2012 I had worked in Treasury for approximately 21 years. I had been seconded in and out of Treasury at various times but not for any great length of time. I hold an MBA.
2. From 2002 to 2005 I worked in the Shared Service Implementation Office as part of the team that developed the business case to move to Shared Services. It followed an initial review that was conducted by external consultants as part of the Aligning Services and Priorities (ASAP) initiative.
3. I recall the business case was tightly held and not many people had visibility of it. The original business case undertaken by the external consultants used industry standards. They did a quick survey of how many people worked in corporate services and concluded the government could make considerable savings by moving to shared services. This message created angst in the public sector particularly for people working in corporate services.
4. Government was interested in pursuing the benefits of shared services and I was involved in refining the business case to try and respond to some of the criticisms that had arisen out of the external consultants' review.

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5. In response to criticism about issues such as reliable definitions of corporate services and unique Government requirements, we undertook a more detailed business case. We brought in staff from agencies to assist with the project, for example to define different types of corporate Corporate Services.
6. We also asked them to define the benchmarks to factor into the business case. We also undertook a more detailed survey around costs.
7. The initial business case by the external consultants was high level and used broad assumptions. The second one, in which I was more closely involved, was more detailed and tailored to Government. A lot of the assumptions came from the agency staff working on the project.
8. That business case led to the government's decision to go ahead after which we went through a process of transferring people and resources out of agencies and into CorpTech and the Shared Service Providers ('SSPs').
9. Based on the specifics of who and what was transferred into shared service providers, the business case was updated.
10. The business case was not widely disseminated. My response to the criticism that there was not a lot of transparency is 'The business case was exposed to people who needed to know about it'.
11. I remember sitting in a room with the heads of Shared Service Providers and exposing the methodology of the business case. I wanted them to understand the methodology and formulas that were used and the approach that we took. They were shown the quantum of costs and savings in a separate, second session so that critique of the methodology wasn't coloured by the extent of savings that were expected to be achieved.
12. There was a lot of resistance to the shared services idea. It was one of the most difficult things that I have ever done in government. I think anybody who stayed involved in it for more than a year or two was burnt out.
13. Some Heads of Corporate Services found it threatening because they would lose responsibility for potentially hundreds of staff who would be moved into Shared Service Providers, and control of their associated work and budget funding.

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14. Many multinationals have moved to shared corporate services. But what gives government assurance is not so much that it's been done in the private sector (because they know it's not going to be the same as the private sector) but that there are other government jurisdictions that have done it successfully. At the time, the Ontario provincial government in Canada was identified as having successfully implemented shared services.
15. The Shared Service Initiative was established in July 2003. At that time, the Shared Services Implementation Office ('SSIO') was established. I reported to Mike Burnheim as head of the SSIO. (Prior to that time, I reported to Alan Tesch.)
16. We were confident that if shared services was properly implemented, the savings would eventuate. Even so, we compensated by building a lot of conservatism into the business case.
17. My recollection is that most of the savings were going to come out of standardising business process in the SSPs and reducing the number of people that are actually involved in transaction processing in the shared service providers.
18. Assumptions about achievable benchmarks were conservative. We collected performance information on transactional services from all the agencies to compare against a reasonable benchmark. We let the departmental teams pick that benchmark.
19. So if an underperforming department could be moved to that benchmark or better there would be savings. We assumed only 5% savings in tactical services. There was a lot of conservatism built in and the savings targets should have been achievable.
20. Ultimately it was going to produce \$100 million savings per annum when the initiative was fully rolled out. Staff savings were going to happen through attrition. The new systems were going to be developed over three years. The initiative was supposed to reach \$100 million in operational savings (I think after 10 years) on an ongoing basis.
21. During the period until 2005 I continued to work on the Shared Service Initiative. My work involved fiscal arrangements - funding flows, financial reporting requirements, Budget reporting requirements, etc..

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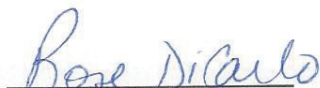
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22. I remember doing an analysis of the SSPs after several years, looking at the number of Full Time Equivalent employees (FTEs).
23. The analysis showed that the FTEs in SSPs had not decreased significantly but the rate of transactions had increased considerably. So the Government was doing significantly more with either the same or smaller resource base. I think the SSPs drove efficiencies through standardisation to the extent they could without the full systems rollout.
24. But the IT side confounded the model. CorpTech engaged with individual agencies and led the projects in each agency to roll out the new systems. CorpTech was the technology provider while the shared service providers, who should have been driving end-to-end business process reform, played a more minor role. In hindsight, CorpTech's main clients should really have been the SSPs.
25. In my view, the project became technology-driven rather than business-driven. Because of delays, the urgency to replace ageing and unsupported legacy systems took precedence over end-to-end business process standardisation.
26. Between 2005 and 2007 I did not work directly on Shared Services. When I left SSIO, I went to the Financial Management Branch of core Treasury for just over a year to develop a project assurance framework, and from there to the Service Delivery and Performance Commission (SDPC) to undertake a review of ICT governance across the sector that lasted several months.
27. After that I moved back into the Fiscal Strategy branch of core Treasury for several months. I worked on various projects but not directly on shared services although I may have been asked to comment on reports about shared services because of my corporate memory. I 'returned' to the Shared Services Initiative Policy and Program Office (SSI PPO) around July 2007 and was there for about a year. The SSI PPO was then disbanded and the initiative was mainstreamed. I returned to a core Treasury role in a Business Branch.

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2005 Review of Shared Services Project

- 28. I have been asked about a review of the Shared Services Project conducted in 2005 by Gary Uhlmann from a company called Arena and whether I had any involvement in that review. I may have but it's not anything that I recall.
- 29. I recall the name Gary Uhlmann and I may well have been interviewed but I have no recollection of it and no recollection of seeing the review report.
- 30. If it had made its way to the Under Treasurer I may have been asked to provide advice but I don't recall it.
- 31. My sense of shared services at the time was that it was making progress, albeit slowly.

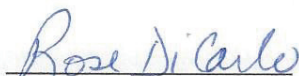
Shared Services Initiative Policy and Program Office (PPO)

- 32. In July 2007, I applied and was successful in securing a position in the PPO working for Barbara Perrott. Barbara was successful in arguing she needed to create permanent positions in the PPO to create an incentive for people to want to come and work there.
- 33. Barbara advertised some permanent positions and I was looking for an opportunity to get a permanent SO1. That was why I applied. I really didn't want to go back to shared services, but vacancies at that level are few and far between.
- 34. My observation of Barbara Perrott was that she was very good at managing relationships. I thought she was a very good people person.
- 35. I did not consider Barbara's lack of expertise in IT as problematic.
- 36. I knew Geoff Waite who was Barbara's predecessor.
- 37. Early in my career in Treasury, Geoff and I were both in the Budget Division. I think he went from there to head up Treasury's Corporate Services. Many years later, when he was head of CorpTech and I worked in SSIO, we interacted often since part of my work involved consulting with the Directors and the executive management of the SSPs and CorpTech.

Role in 2007

- 38. My title in the PPO was Director Fiscal Strategy. So that meant I was looking at sources of funds, how they flowed, and how to reflect the fiscal arrangements in Budget documentation and annual reports of agencies, SSPs and CorpTech.

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39. In 2007 Shared Services had been going on for four years and we had quarantined agency funds during that time. If in 2003 we said to an agency 'Your shared corporate services cost \$23 million', that \$23 million in the agency budget was quarantined and it would be paid annually by the agency to their Shared Service Provider (who on-passed a fixed amount to CorpTech). That arrangement was intended to last three years, but had been extended because the new systems had not been fully rolled out.
40. At that point we had no price signals. The model was never going to become self-sustaining until we actually moved to a fee for service arrangement so that there were financial incentives for agencies to manage demand, and for SSPs to manage their costs.
41. My priority when I came on board was to move off quarantining and on to a fee for service model and that meant we had to reconfigure how the savings were extracted and how the funding would work and that was a fairly complicated process.
42. I had to go through a process called Revenue Redistribution which meant redistributing funds across agencies so that every agency had enough to pay the Shared Service Provider for its "real" cost of services.
43. In the meantime SSPs were identifying the real cost of services for individual clients.
44. Some agencies had more money quarantined than they really needed to pay their SSP, and other agencies had not quarantined enough. I had to redistribute funding in a way that no agency felt they were worse off. Client agencies were anxious because once quarantining ended, they were exposed to SSP price increases, and their budgets were being reduced at the same time to extract savings. That was my focus when I came on board.
45. We moved off quarantining from 1 July 2008.

Arena Review

46. I have been asked about another review conducted by Arena. I have no recollection of that review.

Tender Process - RFO

47. I don't recall being involved in the initial tender.
48. I don't know who would have drafted the RFO.

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49. I may have seen the RFO but I don't remember seeing it.
50. I think I had an awareness of the process going on in the background. Other than that I don't recall enough to be able to comment on the process.
51. I don't think I saw any responses to the RFO by Accenture, Logica, IBM and SAP.
52. I don't recall participating in the evaluation of those responses. I can't remember who was evaluating them or reviewing them.
53. I don't recall if I was ever asked to consider any price or financial information in those documents.
54. I remember attending presentations but not their content. I don't know if it was part of the RFO or the second stage. I can't recall.
55. I don't recall specific conversations with Barbara Perrot about the RFO process or the process of finding a tenderer.

Tender - ITO

56. Around this time I am sure I would have had interactions with Terry Burns but they don't stand out. I think he was working on developing a new structure. I do recall being in meetings and workshops with him.
57. I can't recall playing any part in the drafting of the ITO. I don't think I did but I can't recall. I don't recall seeing the ITO that went to market.

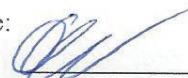
Evaluation

58. I remember being part of the evaluation. We were in a big room with a large table. Access to the room was restricted and my recollection is that we were not allowed to remove material from the room. PCs were set up in the room for our use. They were on a secure network, separate from the day-to-day operating environment.
59. I can't recall who asked me to be on the evaluation panel. It might have been Barbara Perrott. I can't recall the formal process of my joining the evaluation team.
60. My role on the evaluation panel was as a member of the team that was analysing the costs. Colleen Orange was the team leader.
61. I don't remember being provided with any briefing but I think that I would have.

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62. I don't recall how our team's evaluation framework was established. I remember there were a lot of spreadsheets that had been set up.
63. I think Shaurin Shah set up the spreadsheets and I recall Colleen Orange entering a lot of data into them. I don't recall who developed the spreadsheets - I think Shaurin did.
64. I would have probably seen all the responses that came in but I can't say for sure. I can't recall if I assessed each of the three tenderers.
65. During my interview with the Commission I was shown copies of IBM and Accenture's responses which dealt with pricing.
66. I have no recollection of the responses nor what we specifically entered into the spreadsheets. I don't recall the source documents we used nor how we translated source information into data for the spreadsheets.
67. I have no recollection of the evaluation framework. I don't know who drafted the evaluation framework.
68. I recall working with Colleen and Shaurin but I don't recall the extent of interaction with the other teams.
69. I don't recall what price each of the tenderers gave. I have a general recollection that IBM was more price-competitive but I don't recall what it was based on.
70. I have an impression of wondering whether the tenderers fully understood the requirements, and the extent of work that had already been done in house by CorpTech that could be reused. I understood that a lot of documentation was produced within CorpTech and made available to the tenderers.
71. The budget for the prime contractor model was \$153 million. The \$153 million was for one-off capital and operating expenses and internal as well as prime contractor costs.
72. I think the way we looked at the process was 'If we have only \$153 million left to spend, who do we think is going to give us the most value for that amount.' It was more about who was going to use that amount of money most productively in terms of our system development priorities.

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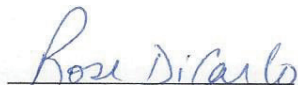
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73. I don't recall whether cost was a weighted criterion. I think the way the evaluation process worked was that other, weighted criteria were assessed and then it became a value for money analysis.
74. If we needed clarification on the numbers I'm sure we would have followed that up. I think we did have some queries but I don't have any specific recollection in that regard.
75. I remember we had to be very careful that if we wanted follow up we had to afford each tenderer the same opportunity to receive, and provide additional information.
76. I can't recall explicitly discussing or showing the costing numbers to the rest of the teams but I do recall other team leaders presenting their results. I can't remember my team doing that, we might have done but I can't recall.
77. I don't specifically recall the preparation of the report on the costs.
78. I was shown Appendix D – Summary of Financial Issues during the interview. This document looks familiar. I expect Colleen and I drafted the document.
79. The first sentence of the document says 'The IBM offer represents both the least cost and the most cost-effective option'. In response to a question on what that means, I suggest that it likely means that the absolute cost (ie the cost in isolation) in the IBM tender was the lowest of the two for a specific set of deliverables. As well, it likely represented the best value for money when considered together with the scores on other evaluation criteria.
80. I don't recall what comprised the major difference in costs between the two tenderers.
81. I don't recall specific discussions about whether IBM could deliver on the budget they had promised.
82. I can't specifically recall going to presentations by the tenderers nor a price validation session on Monday 22 October 2007.
83. I don't specifically recall taking notes throughout the evaluation process although I expect I would have. I can't recall whether there were any formal minutes taken.
84. I can't recall what Terry Burns' specific role was. He was certainly around. I think he oversaw the process and ensured it was running smoothly.

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85. While I don't specifically remember when I met Terry Burns it would likely have been some time after I was appointed to the PPO so sometime after July 2007.
86. I don't have any specific recollection of Terry Burns asking me to reconsider or reassess our scores.
87. I don't have any recollection of Terry Burns telling us that Accenture was in front and that we had to go back and reconsider our scores, after which IBM took the lead.

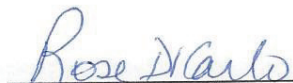
The Tender Process

88. I had no concerns with the tender process. I thought it was rigorous and robust.
89. I recall that John Swinson from Mallesons was the Probity advisor. I understood he was formally appointed. I found him to be straight talking.
90. I did not observe any type of collusion going on with IBM during my time on the evaluation panel.
91. There was nothing about the evaluation process that gave me cause to be concerned.

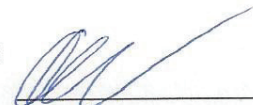
After Tender

92. I do not recall any specific involvement in the contract negotiations.
93. After the tender process I went back to my revenue redistribution project.
94. I do not recall any involvement with the re-scoping of the contract or the go live decisions. There was a whole program office dealing with that.
95. A big advantage of the prime contractor model is that it formalises expectations. Deliverables, timeframes and costs are well-specified and documented and can be better managed as a consequence.
96. A program office was established precisely to formally manage the IBM contract and I assumed that that governance mechanism would work as intended.
97. In relation to attendance at Executive Steering Committee meetings, I would have attended them by invitation from Barbara Perrott, most likely to talk to specific agenda items on projects for which I had direct responsibility (eg. revenue redistribution).

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98. I was approached by the Commission of Inquiry to participate in their investigation. 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 or contempt of the Commission.

Declaration

This written statement by me dated 8 March 2013 and contained in the pages numbered 1 to 11 is true and correct to the best of my knowledge and belief.

Rose DiCarlo Signature
Signed at 43 Agnes St. this 8th day of March 2013

Witnessed:

[Signature] Signature
Name Lucas Wilson