



SPARK AND CANNON

TRANSCRIPT OF PROCEEDINGS

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THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

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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 1/05/2013

Continued from 30/04/13

DAY 23

WARNING: The publication of information or details likely to lead to the identification of persons in some proceedings is a criminal offence. This is so particularly in relation to the identification of children who are involved in criminal proceedings or proceedings for their protection under the *Child Protection Act 1999*, and complaints in criminal sexual offences, but is not limited to those categories. You may wish to seek legal advice before giving others access to the details of any person named in these proceedings.

THE COMMISSION COMMENCED AT 10.05 AM

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COMMISSIONER: Mr Traves?

MR.....: : Could I just speak, commissioner?

COMMISSIONER: Yes.

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MR.....: I'm sorry, commissioner. May I announce my appearance, please?

COMMISSIONER: Yes.

MR.....: My name is (indistinct). I appear for Margaret Berenyi, the witness likely to be called later today. I seek leave (indistinct).

COMMISSIONER: Yes. Very well.

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MR.....: Thank you.

COMMISSIONER: Can you find room somewhere?

MR.....: I have got a seat which will do me at the back here for the moment. Thank you, commissioner.

COMMISSIONER: Yes.

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MR TRAVES: Mr Reid, the question I first asked you yesterday was that one could be forgiven, reading your statement, in concluding that you take no responsibility for the payroll problems and you answered by reference to some public statements you had made. Do you recall that? ---Yes, I do.

Can I ask you by reference to your statement, do you anywhere there take any responsibility for what occurred? ---As I indicated yesterday, Mr Traves, I take responsibility for ensuring that the staff of Queensland Health, the 80,000, are paid correctly and they weren't and that was an issue which, as you're aware, was sheeted home appropriately to me by the auditor-general in his report.

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I'll ask you again, by reference to your statement do you anywhere there take any responsibility for what occurred? ---There is a range of delegated responsibilities which occur throughout the Health system, be it people who manage various districts or people who run other aspects of Queensland Health. They have the delegated responsibility. It's in their accountabilities of what they're employed for and so there is a range of delegations which normally occur throughout the public sector. I take ultimate responsibility for not paying. I don't take accountability

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for the errors that occurred in the payroll system to that degree. 1

I'll ask you one more time: by reference to your statement do you anywhere there take responsibility for what occurred?---Sorry? In the statement?

Correct?---Sorry, I didn't understand the question in terms of that. I don't think I've stated that in the statement. 10

Further, by reference to your statement, in paragraph 25 you say, "During the remainder of 2008 and 2009, I don't recall receiving any further final briefing notes." I simply wanted to ask you why do you use the word "final" there. Do you think you may have received some draft notes?---No. I don't recall receiving - it may be an inappropriate word - briefing note.

A topic not covered in your statement, but one about which I wish to ask you some questions, is this: did you have any discussions with the minister concerning whether or not the contracts of Mr Kalimnios and Mr Shea should be terminated?---No. 20

Did you, before the decision to terminate the contracts of Mr Shea and Mr Kalimnios, consider or reconsider the fact or the substance of the briefing note to you from Mr Kalimnios, Mr Price and Mr Burns of 29 August 2008?---If I can just clarify the earlier statement, Mr Traves, just to make it clear. 30

Yes?---Certainly, I informed the chief of staff of the minister prior to taking the decision I made to inform the minister that I was taking that decision. I did not consult the minister at any stage about what I was proposing to do.

If you come back to my question - - -?---Sorry. I was just trying to clarify that statement. Yes. 40

Yes?---Did I take into consideration the briefing note of the 29th?

Did you take it out and read it again?---Yes, because it came to me through the - yes, I did.

Did you consider the fact that many of the matters, which I'll take you to shortly, raised in the briefing note in 2008, were matters which in the auditor-general's report were regarded as serious governance problems with the project?---Yes. 50

Did that cause you to consider or reconsider your decision to dismiss these or, at least, to terminate these gentlemen's conduct given in fact they were matters which

had been raised by them with you as early as August 2008? 1
---No; and I can explain that if you wish, Mr Traves.

Yes?---Yes. The decision to terminate Michael and Adrian was a decision that was made at the time when there were consequences of the payroll which were clear to everyone and seriously impacted upon staff, upon payroll staff, and staff at Queensland Health for a long period, which were not brought to my attention in the lead up to the decision to go live. So I believe that the risks were not properly identified and 10

those risks that were identified were not brought to my attention in the lead up to go live, particularly given the Ross report, which I came across subsequently, in a way that would enable me and the rest of Queensland Health to put mitigating actions in place. For example, we would have briefed unions. We would have sent memos out to staff because there were going to be problems with casual employees. We would have gone through a whole lot of actions which only came to our attention after the go live decision. So that was more the focus, I think, rather than the direction of where you were leading with your question. 20

Do you recall the context of the go live decision was one where the LATTICE system was undoubtedly under stress?
---Yes, it was.

You understood that to mean that there was a risk, indeed a sensible or material risk, that the LATTICE system might collapse altogether?---I did. 30

The fact was, was it not, that CorpTech and IBM were the contracting entities in respect of the contract?---Correct.

And that both CorpTech and IBM were recommending through the directorate that the project proceed, that is that there be a go live decision?---Correct. Sorry. That's my understanding, yes. 40

It's plain, is it not now and it was the belief of the board at the time, that it was impossible to do a full parallel pay run test, practically impossible?---That's my understanding.

That too much money had been sent in fact to go backwards or to pull out altogether, that it would have been uneconomic and, in a sense, wasteful to do so?---That's my understanding, yes. 50

That the KJ Ross report, which no doubt you've read since, recommended that there be an exit from UAT because as much had been achieved as could have been achieved from the process?---Yes, amongst other things and also highlighted serious risks.

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But nonetheless, the better view is you should exit UAT.
Correct?---Yes.

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You understood all of this at the time that you dismissed
my clients or terminated their contracts?---That's correct.

That there was a management report, a QH management report,
in response to KJ Ross which said, "The risk of delay, in
effect, exceeds the risk of a go live"?---Correct.

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You know now that there was a defect management plan in
place which the board was informed would deal with problems
which might become evident?---Yes.

So that in effect the board was in a position where on the
one hand it could delay the project with the risk of
LATTICE going awry - - -?---Correct.

- - - or on the other hand, proceed in accordance with all
of the material before it and all of the recommendations to
go live?---That's correct.

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If Mr Shea and Mr Kalimnios had decided on that morning of
14 March not to proceed and the following day LATTICE had
collapsed, would you have dismissed them?---If I take you
back just to comment. I was briefed that they were ready
to make a decision to go live prior to Christmas. I just
want to clarify that so the period - - -

All right. Had LATTICE collapsed the day after a refusal
by the board to go live, that Sunday morning, would you
have fired them?---I think I would have taken - you're
asking me a question which I would need to reflect on, but
I think I would make the decision they had adequately
advised me of the dangers of LATTICE. I don't think they
adequately advised me, nor indeed the Health system, of the
risks of going live. I think there are a large number of
risks which became apparent after go live which I would
contend failed the no surprises rule.

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Again, you didn't answer my question. Had the board made a
decision not to go live, given all that had been told and
the recommendations made to it and LATTICE had collapsed,
what would your view have been about the conduct of
Mr Kalimnios and Mr Shea vis-a-vis the go live decision
itself?---If they brought that decision to me and outlined
the risks associated with the going live and not going live
and bearing in mind that they had advised me about LATTICE
then I might reflect upon that. I would have had the
benefit of an auditor-general's report and others, but the
decision may have been different. I would need to think
about that, Mr Traves.

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Forgive me; yesterday, Mr Reid, I'm sure you said that matters of this nature ought not be matters, that is, the go live decision, which you all had to deal with?--No, I said two things: (1) I said that the go live decision had been appropriate delegated by both agencies to a board - - -

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Before you go there, what was the delegation to which you refer? What is the delegation to which you refer which meant that you had no responsibility for the go live decision?---My understanding was when Michael told me that a board had been established which had delegated authority to go live, that preceded my arrival.

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What is the delegation to which you refer?---I did not know.

Would there be a document?---I would have expected there would have been.

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Have you looked for one?---It hasn't come to my attention, no.

So you're not aware of any formal written delegation - - -? ---No, other than what I was informed.

It was a decision you took?---No.

It was a decision you took to leave the decision to the board and not to involve yourself?---That's absolutely incorrect. That is an incorrect statement.

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I come back to the delegation?---I actively did not take any decision.

Pardon me again?---I did not take that decision.

You actively did not take a decision?---No.

What did you mean by that?---You implied that I made a decision that I would allow the delegation to reside with, and I think that was your words, Mr Traves, I need to check the words. But I was certainly not involved in anything that led to how those delegations arrived, and that was delegated with them.

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I want to explore this issue of the delegation, because traditional public service theory might say you have a line of responsibility each above the person below must take some responsibility for the decisions, for otherwise there's not the incentive in the public service for those with greater line responsibility to involve themselves with the decision of those below, correct?---Correct.

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That's important because otherwise in a situation such as this the only person responsible is the person way down the

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line who makes the decision that the technical specifications have been satisfied adequately. That's why it's important, isn't it?---In this case, the person was not way down the line, he was the deputy director-general who had the delegated authority, and that was a very influential decision and probably one of five or six positions in the public service of that level.

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I'm interested, in theory, as to how you draw the line for the deputy director-general and say, "After that I'm entitled to rely from what I'm told but he's not"?---He had the authority to make the decision to go live, it was in his - - -

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And you had the authority to stop him?---He had the authority to make the decision to go live, he had in his performance contract a set of requirements of what was expected of him in his position, one of which was a management of payroll arrangement. I had, in my performance contract with the premiers, a set of things that was expected of me in terms of my performance as director-general, ultimately accept the responsibility that the failure of the pay system - - -

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No, you don't?---Yes, I do.

No, you don't. You don't accept responsibility at all; you publicly say, "I'm responsible, but these public mea culpas that seems to fashionable amongst politicians and public servants," but in fact while Mr Shea and Mr Kalimnios took real responsibility and first had their employment terminated, in their statements, were honourable enough to say that they took some responsibility. You on the other hand take on the position as chair of the stabilisation committee, so how do you take responsibility?---In the first place or the second place?

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Now?---Now? I repeated that statement several times. I take responsibility for it as the head of Queensland Health, I took on the role of payroll stabilisation committee because I acted when it became clear to me that there were major problems with the pay, which hadn't become clear to me at the time of going live.

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I want to cover the briefing note for approval for 29 August shortly, but can I ask you to comment on some propositions first? You say, by way of partial defence of your inaction, that during the latter part of 2008 and 2009 you received no brief noting or other written communication from Mr Kalimnios naming the problems, do you not?---That's my recollection, yes.

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Yet upon the receipt of urgent written communication, and on other occasions verbally, on none of those occasions did you put these serious concerns in writing for Mr Grierson or the minister?---Sorry, in terms of - - -

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The matter's raised with you - - -?---Could you repeat the question? 1

- - - by the memorandum in 2008 or the meeting in 2009, you're

critical of Mr Kalimnios and take shelter behind the fact that there was to you in writing and yet you put nothing in writing to Mr Grierson and nothing to the minister?---On both occasions - on both those first set of briefing notes we had a meeting with Mr Grierson, I think in relation to the second time he approached me around the issue we had a meeting - - - 10

I know what you did. Do you accept that you take shelter behind Mr Kalimnios' failure to give you at' failure to give you at in writing but didn't take the same step yourself when these various matters were raised with you? ---No, I never took shelter behind Mr Kalimnios at all, I was running, I was responsible for Queensland Health in doing a range of activities in that. He had a degree of accountabilities in his role, and there was never - and I doubt he would claim that I took shelter behind him. 20

There was never anything put by you in writing to Mr Grierson?---That's correct.

Why not?---Because we had a meeting to discuss those issues. 30

Why not put it in writing?---Michael came to me, the result of that meeting was to meet with Mr Grierson, we agreed to meet and we did meet. If he'd indicated to me that he would wish a letter to be written of a particular type to Mr Grierson - - -

You need a recommendation from Mr Kalimnios to write something?---He was responsible for the payroll, he was responsible for - - - 40

He came to you, Mr Reid - - -

COMMISSIONER: Mr Traves, let the witness finish.

MR TRAVES: You finish, Mr Reid?---Thank you. He was responsible for payroll, and as many other deputy director-generals are responsible for a whole variety of things. They had delegated authority to undertake those things and in the main they performed, and I expected them to do so and they indeed expected to do so also. 50

In performance of those obligations, Mr Kalimnios, Mr Price and Mr Burns, the three most senior in that line of responsibility wrote you a brief for approval and you draw the distinction, would you not, between a brief for

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approval and a brief for noting, would you not?---I did
between the first and second briefs, yes.

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My word you did?---And Mr Douglas.

So this is a brief for approval, this required some
action - - -?---Yes.

- - - and they recommended that QH extract itself from the
then situation which was seriously compromising the quality
of the product which was being produced for Queensland
Health, and they did that in discharge of the very
responsibility which you say they had, did they not?---They
did.

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And you rejected it?---We discussed the brief, it wasn't
that I rejected it. I think I made the point there
yesterday that it wasn't in my authority to take the
actions they recommended in that brief, that this was a
contract that I couldn't extract from, it was a whole of
government decision. We took the correct steps, I think,
by going and talking to Mr Grierson around that contract
and what could be done about it. As a result of that,
there was, I think, a different brief that came up
subsequent to that. Michael agreed with those steps when
had the discussion and agreed with the action we were
taking.

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It was never a contractual matter from Queensland Health's
point of view, Mr Reid. Queensland Health was never party
to the contract, correct?---Queensland Health were part of
a whole of government decision.

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Queensland Health was not party to a contract?---That's
correct, that contract.

So it wasn't a matter of contractual responsibility, but
that the solution suggested by Mr Kalimnios necessarily
involved the involvement of persons other than the
contracting entity. It obviously involved, I suggest to
you, the involvement of the minister?---It would have been
if we proceeded down that route and we had agreement with
Mr Grierson, it probably would have involved the agreement
of cabinet.

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Precisely?---Yes.

And the best you can do is to take it to Mr Grierson, who
you seem to have deferred the whole time?---No, that's not
correct, we made a very strong case about the concerns we
had because he was the one who was responsible for the
negotiations and the dealings with IBM.

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The point I'm trying to make is that you keep saying this
is a matter for Grierson because CorpTech's the contracting

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entity. I'm putting to you that the solution necessarily involved people taking political steps, politicians taking steps, outside CorpTech and Mr Grierson, and that's the point you seemed to have failed to realise at the time, can I suggest?---That may be your interpretation. My interpretation is - - -

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I'm putting it to you it's correct?---That's not how I see it, Mr Traves.

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But it is correct, now, with hindsight, isn't it? Looking at the memo - - -?---No.

- - - in the cold hard light of day - if I may finish - looking at the memo in the cold hard light of day, it's no doubt that the matters that were suggested to you and recommended required something being done by other than CorpTech?---The memo made that suggestion, yes.

I put to you now you should have, with hindsight, have raised that with the minister?---That may be the case, that's your view, but there are many - - -

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I put it to you as the correct thing?---As I indicated yesterday, Mr Traves, that's not an issue that at that time I raised with the minister. I raised with the minister my concerns around IBM, but this was a memo for me which I discussed with Michael who agreed with the course of actions we were taking, agreed to go and prepare another memo as a result of that and we agreed to meet with Mr Grierson. They, I think, were appropriate steps of actions in an area which had a wide range of responsibilities that the minister was involved in.

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THE COMMISSIONER: Mr Reid, can I ask - - -

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MR TRAVES: Sorry.

THE COMMISSIONER: Do you mind, can I ask is it the case that you decided not to raise the matter for reasons which you might give us if that's the case, or did it not occur to you that that wasn't an appropriate course to take?---I think the - I can't recall the actual reason but certainly I was - at this stage we're talking about I was in the position for two months, there would have been incoming briefing notes for the minister and one of those was certainly around payroll which was brought to his attention, a series of issues that were entrain. I didn't think it was appropriate at this stage, one month into my arrangement, to do something where both Michael and I agreed to a set of steps to try and rectify the issues or elevating it and we did that.

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MR TRAVES: On that topic, have you and Michael agreed - I can see the two director-generals might agree but if Mr Kalimnios as the deputy director-general brings to you a document with very strong recommendations involving the departure of QH from the arrangement, you're not suggesting for a moment, are you, that he ever departed from that view?---I'm certain he is suggesting he agreed with the actions we take in terms of trying to have a discussion with Mr Grierson about that. Certainly - - -

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All right, he agreed to have a meeting?---Certainly through 09, if you're asking - - -

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No, I'm not?---Are you - - -

In 2008?---You said if he ever took the view?

In 2008?---2008? When we agreed on the set of actions. I don't know - you would have to ask Mr Kalimnios this, after those actions he still held those views to the same degree.

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There was nothing in his conduct toward you that suggested that his view had in any way changed in August of 2008 from that expressed in the brief for noting or approval to you?---Yes, it was.

So you're suggesting he backed down?---No, I don't suggest that he backed down, I think that is an inappropriate statement. Mr Grierson and I - - -

Well, you tell me what you think?---Mr Kalimnios and I had a very good relationship. We had a discussion around whether this brief was achievable and doable. We agreed it wasn't within our power and authority to take the steps that were listed there. We agreed we were going to see Mr Grierson and have a discussion with him about that and we did that collaboratively and in no way did Michael

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advocate separately to me that this wasn't an appropriate set of actions. 1

What could he have done, having raised the matter with you, with the new director-general put them as forcefully, you would agree, as one could sensibly put in a brief approval. You would agree with that, wouldn't you?---I thought it was a very poor brief.

Right?---I think if you read the brief, it's over two pages. 10

Too long?---No, far too short. There was a new director-general that came in, as I had, that gave me no background at all to any of those steps that were sought of me. I didn't have an understanding of what the implications were as I indicated in my statement. I took a set of actions that needed to be - not - as I did with most briefs to either approve or to send them back. I met with Mr Kalimnios I think it might have been the next day or the day after and he tried to apprise me with the various background leading up to the brief which I then became more aware of. 20

All right?--- We agreed to a set of actions subsequent to that.

And no doubt you having realized the importance of what was being raised with you and regarding the brief as poor, fully acquainted yourself with the circumstances?---To the degree I thought was appropriate, yes. 30

So you did?---Not fully, not to the extent that he would know, Mr Traves.

No, no?---I mean, he had far better - far more depth of knowledge than I did.

But the commission can work on the basis that you fully understood - so far as you thought necessary, the circumstances at the end of your meeting with Mr Kalimnios soon after the brief - - -?---I certainly understood the issues, particularly around LATTICE. 40

Listen to the question, Mr Reid. Did you fully understand to your satisfaction the matters you needed to understand by the end of the meeting with Mr Kalimnios?---Yes.

I want to put another proposition forth to you. You felt before go live that you had adequately discharged your obligations by seeing Mr Grierson and leaving it to him to deal with the problems raised concerning the payroll implementation with IBM since CorpTech was the contracting entity, yet soon after go live when the horse had bolted, you wrote to IBM expressing serious concern about the 50

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payroll system?---Yes. Can I make a comment about your use of term - - - 1

MR TRAVES: Yes.

THE COMMISSIONER: He got the answer, yes. Make the comment?---Thank you. I don't think I fully - I think your words were I fully disclosed my obligations, was it, or my - - - 10

Adequately discharged your obligations by seeing Mr Grierson and leaving it to him to deal with the problems?---No, well, I - - -

Whereas after go live, you write to IBM expressing serious concerns about the payroll system?---I certainly wouldn't say that I adequately disposed my obligations by the meeting with Mr Grierson. I continued meeting with Mr Kalimnios during the period of 09, you're referring to a period in mid-09. I met through in 09 as I did in early 09 and Mr Kalimnios continued to advise me that the problem was being rectified, the problems were being rectified as they were identified. 20

All right. Let me then take you to the briefing note which is at trial bundle volume 5 at page 294. Now, Mr Reid, by this time you suggest that you had been made aware or were made aware by this memo or the brief approval that notice of delay had been received from IBM on or about 15 August 2008, informing that the go live would not be until 17 November 2008?---I was informed - I wasn't informed of that detail. This is a brief that came to me - are you talking from somewhere in the brief, Mr Traves? 30

No, I don't think so. I'm suggesting - - -?---No, I wouldn't - I had been in the job for two months at this stage. You're talking about the 08 brief, is that right?

Yes. Yes, I am?---Yes. 40

Mr Reid, you keep saying that and I'm conscious that there is no doubt some justification to what you say that there is a job to be got on top of when you start but that said, six years as director-general of NSW Health - - -?---Mm.

- - - two years as director of policy and practice program for George Institute for International Health, University of Sydney. Another 2004 to 2006, director-general of New South Wales Ministry of Science and Medical Research. In any view, a very, very experienced public servant. Would you agree?---Thank you, Mr Traves; yes. 50

And one thing one might hope from a man with such experience would be the ability to recognize critical moments in projects. You can't always be on top of the

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detail but when critical moments arise, it's the job of the DG to recognize them, is it not?---Or to be apprised of. 1

All right. Let's go to the appraisal. The brief: the first point you note about it is that it is marked urgent? ---Yes.

It is going by the deputy director-general corporate services together with the two next most senior public servants in corporate services. Is that correct?---Yes. 10

It identifies the lack of progress and heightening costs? ---Yes.

It identifies in particular the ineffectiveness of CorpTech, not Queensland Health being responsible for the contract management?---Correct.

It identifies that CorpTech had managed to add services - I'll start again. The CorpTech-managed Shared Services Initiative had failed to deliver any viable alternatives to Queensland Health in four years?---Correct. 20

That despite promises from CorpTech, Queensland Health was hamstrung with problems?---Yes, I can see that.

That Queensland Health was critically exposed with an unsupported payroll system?---Yes.

That the solution being built by IBM was now failing critically in the test phase?---Yes. 30

And that restrictive program governance exercised by CorpTech had contributed to delays, increased costs and delivery complexity?---Yes.

Then on page 2 of the memo there's reference to the various impacts that that was causing, increased costs, delays, inconvenience and so on?---Yes. 40

And then a series of proposed actions. Do you see that there?---Yes.

The QHEST team have analysed various options based on cost, benefits, risk analysis of these options and have recommended that QH separates itself from the CorpTech-driven WAG program immediately and engages directly with contract companies in order to evaluate alternatives expeditiously?---Yes. 50

Now, you have said yesterday that it wasn't your job and you couldn't be on top of the technical detail and hence relied upon the advice that you were receiving from those responsible for it as you put it?---Yes.

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What caused you not to take that advice?---Again as I indicated yesterday, I do believe still this was outside my scope of responsibility. First off, I wanted to be more apprised as to what the advice was and so I asked Mr Kalimnios to come and see me. I didn't approve it at the time because it took various steps which I was not fully apprised of at the time as you would expect, and certainly I don't think the brief fully annunciated the risks of doing those alternate actions or the benefits of doing those alternate actions, so I took the action which I think was appropriate, to seek to meet with Mr Kalimnios to discuss the brief itself.

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The point about this proposition is that QH separate itself. It doesn't in any way involve the input or the involvement of CorpTech. It really involves a decision by Queensland Health and the minister, effectively, does it not?---It may involve broader - which one are you talking about?

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The first dot point?---I think that one, for example, would involve CorpTech considerably, if I just take an example, because many of the staff that were involved in doing this within CorpTech, who were working on the Health things, there would have to have been a machinery of government change and those types of things. I'm not aware of the details, Mr Traves, but I would expect that would have been the result. So it's not something that would have been unilaterally done and created those sets of things within Queensland Health.

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I'm not suggesting that you wouldn't bother calling CorpTech. I'm saying that in the end the decision involves someone other than CorpTech and it involved a decision by Queensland Health and those responsible for these sorts of matters within Queensland Health and I'd suggest the minister?---I would probably refute that. I think it would involve - because it's a whole of government decision, I think it would involve a revisit of the 2002 decision and going and taking to Cabinet that kind of discussion.

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Can I suggest you underestimated the problem that was being put to you at the time? With hindsight, you underestimated the seriousness of what was being put to you?---I certainly wasn't apprised of the post go live of the risks which had not been brought to my attention. That's correct.

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Could you answer my question that with hindsight you underestimated the seriousness of the problem that was being put to you?---No, I don't think that's correct either. I think I took the right action. Progressively during 2009 I was constantly advised that the things were being rectified under the current arrangements. There was no pressure on me to make any other alternative arrangements. The risks weren't brought to my attention, as one would expect they would be, and as was indicated by my no surprises rules and because those risks weren't brought to my attention there were no sets of action put in place which one would expect would have been if a decision had been made to go live knowing those risks.

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If you had received the advice that the board did from the project directorate on the go live date, would you have come to a different view or having received all the advice that you complain you didn't receive, would you have decided to stay where it was and not go live?---I don't think I'm skilled to respond to that question because much of the advice that came to the board was not advice that I would have had knowledge about or the history about.

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Your complaint is you didn't receive advice. The advice being received by the board was the advice to proceed, effectively?---That's correct.

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So if Mr Kalimnios had come to you and said, "There are some risks, but our advice from the experts is to proceed," do you think you would have taken a different decision?---I would have certainly - I don't think that there was adequate quizzing of the directorate around what the risks were and I don't think there was an adequate review by the board of the scope of the risks and whether they had all been mitigated and, clearly, the outcome would demonstrate that to be true and so I think - I still believe it was a failure of public policy in which that decision was made without either acknowledging a set of risks and bringing them to people elsewhere in Queensland Health to try and deal with before the go live or the fact that they weren't identified and acknowledged by the board or weren't identified by the directorate.

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There's a tension in your position, can I suggest, between that put yesterday that these were matters really that were within Mr Kalimnios' job to discharge or his job to make the decision?---Yes.

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He does so on advice as best he can with Mr Shea and the other members of the board, the advice being to go ahead. You complain and terminate the employment because you're not informed about the risks on the go live decision. You don't see a tension between those two positions? On the one other hand, delegating to him, and on the other, expecting a report about the system?---No, no, not at all. No, not at all, Mr Traves. There were delegations of thousands and thousands and thousands of projects, programs and activities throughout Queensland Health where I would have expected the actions of the delegatee, as it were, were done within his or her authority and that these were brought to my attention or certainly to the attention of a senior executive in Queensland Health if there were consequences of that action which might have media impact, budget impact or other forms of impact.

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You met with Mr Kalimnios on or about 3 or 5 September and can I suggest to you that Mr Kalimnios there explained to you that this was a critical moment in the project?---No.

And that he discussed the brief for approval in some detail with you?---He certainly discussed the briefing. Yes.

That he was forceful in the views that he expressed to you about the recommendations in the briefing note?---No.

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And that you have said that you did meet subsequently with Mr Grierson?---Yes.

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In the meeting with Grierson, can I suggest that Mr Kalimnios, Mr Grierson, you and perhaps Mr Douglas were there?---I think Mr Douglas was there.

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All of the concerns from the brief for noting dated 29 August 2008 were put to Mr Grierson?---That's my memory.

That your attitude was one of concern but that basically you were prepared to go along with what Mr Grierson was saying?---No. That's not correct. We went as a group. There was certainly no differentiation as to how we expressed the views. I think, from recollection, Michael may have even led the discussion because he had greater knowledge of the area and certainly I didn't accede or side with Mr Grierson on any of those matters.

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Then can I suggest that the outcome was that CorpTech would try harder with IBM?---That's my understanding. Yes.

So the net outcome of the brief for approval to you of about 28 August 2008 was that CorpTech would go away and talk some more with IBM?---My understanding was there would be better responsiveness with CorpTech to Queensland Health's concerns and a more active involvement of CorpTech with IBM around contractual issues.

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On any view for Mr Price and Mr Burns and Mr Kalimnios, a disappointing outcome you think, given the recommendation? ---I don't - - -

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COMMISSIONER: I'm sorry, Mr Traves, I missed the question.

MR TRAVES: On any view, given the recommendations and the briefing note, a disappointing outcome for your three subordinates?---I think probably that would - yes, I think that probably would not have been happy to the author of the brief. I don't think Michael shared those views. I think he had decided to proceed on that basis and was satisfied with the outcome.

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What do you base that on?---The discussions we had and subsequent discussions.

I put to you that's just not true; that Mr Kalimnios remained of the view that he had expressed and constantly during 2008 and 2009, particularly up until the time of the further email discussion in July 2009, continually put to you the problems were persistent, the fact that the whole project was badly organised and that Queensland Health would be better off withdrawing from it?---Incorrect.

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In paragraph - - -?---I'm sorry. If I can just - the last component to that I didn't agree with. He certainly put views to me, but I wouldn't use the word "constantly" put views to me and I certainly don't believe he advocated to

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me anywhere after that date that we should take the
fundamental actions that you're suggesting. 1

After which date?---After the meeting we had at this date.

Mr Reid, things became serious enough in mid-2009 for
Mr Kalimnios to come and see you again. Correct?---As part
of a - we had regular meetings. He didn't come to see me
around payroll. 10

Regular or not, you've accepted out of a regular meeting
or a special meeting of some sort, that the outcome was
another journey down to see Mr Grierson?---That's correct.

So whether it be part of the regular meetings or something
else, there's no doubt at that moment there were serious
concerns being raised by Mr Kalimnios?---Yes. My
recollection, Mr Traves, as I think I've indicated
yesterday, I do believe that progressively through 2009
the concerns of Michael correctly became I think around his 20
concerns with LATTICE and the functionality of LATTICE. I
think there was acknowledgment through that whole period,
at least with me, that the decision to remain in the
current organisation's arrangements would be maintained and
that things were improving and the problems which were
being identified in the go live decision were being
rectified. That was the briefing I was receiving.

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Can I suggest that your timing's out a bit, that what in fact occurred was that there continued to be problems after August 2008, that they continued to be brought to your attention, particularly until July 2009 when there was a second meeting with Mr Grierson, and after that when it was apparent that indeed the structure had to be maintained, that this was going to be the way it was going to happen that Mr Kalimnios, at that point, proceeded in that fashion more or less for the rest of 2009 to go live?---I don't think I'd agree entirely with that, Mr Traves. I think it was indicative even of a briefing note that came to me, and I've forgotten the actual date, but a matter of weeks after the 08 briefing note that there was a moderation of the views expressed by Michael about whether we went forward, and I think that moderation of views continued through 09.

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How can they be called a "moderation of views", Mr Reid, when you've rejected the recommendation that QH separate? You've said in effect with Mr Grierson and Mr Kalimnios, "We're staying in. You've got to deal with that." So his next proposal, the briefing note, doesn't again suggest revolution, but rather working within those parameters. It's hardly fair to say that he's moderated; you've effectively rejected the recommendation and he's trying to work within it?---I think that's true but I think we also moved in that process - you're indicating to me he constantly came to me through the early 09 period. I would argue that's not correct.

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Paragraph 27 of Mr Kalimnios' statement, he refers there to a - sorry, just bear with me for the moment - yes, just the next brief. At 9 September 2008, a brief note for information, Mr Kalimnios is not sure whether or not he in fact sent that to you. Do you recall getting a brief note for information of 9 September 2008?---Is that - - -

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It might be a bit unfair to put it to you - - -?---I certainly don't recall, but is that 9 September?

9 September, and you refer later on - - -?---Is that not the Peter Douglas brief?

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I just need to dig that out. I'll have it dug out. I might come back to that with you?---Okay. Sorry, I can find that for you if you like.

No trouble. I'll come back to it. It's not particularly important. Can I take you to the briefing note of 29 September 2008 though, which is at volume 6 of the tender bundle, page 195? You made a distinction yesterday, and I hadn't realised it was a matter of importance, but a briefing note for approval is something different from a briefing note for information?---Correct.

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And the information: it simply notes its existence? ---That's correct.

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Surely, if it was a matter of sufficient input you'd do something about it, notwithstanding it didn't take the title of brief recommendation?--No, it was a standard practice if there's a set of actions they wish the director-general or the deputy, wherever the briefing notes went to, to take around a certain matter the requirement would be that you would spell out those actions as a set of recommendations as to what you're asking of the person you're sending the briefing note to.

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No matter how serious?---No matter how serious, because there are often very serious matters that are briefings for noting where action has already been taken but were informing part of the normal risk - advising people of risk or actions that are occurring is to note that those things are occurring and to brief appropriately.

10

Do I understand your position, as director-general, notwithstanding your statutory responsibilities and your contractual ones, if a document such as this should say, "Brief note for information," as opposed to, "Briefing note for approval," no matter how serious the matters raised you won't consider any further action?---No, that's not correct. I didn't mean to imply that, if that was the indication you meant. Certainly, I might decide on a briefing note that came from noting that a set of actions should be taken, or should have been taken, and would respond accordingly. Normally, from a deputy director-general you would expect a brief for noting was just that, a brief for noting.

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Under Current Issues there's reference there to the delayed go live - sorry, the contracted date of go live, 17 November 2008. I want to direct you to the third dot point:

Queensland Health have proposed a number of new strategies to help achieve this date. These are predicated on a greater ability to manage crucial decisions in a timely manner as well as leveraging our considerable capacity to go it alone.

40

---Yes.

What did you understand by that at the time?---I can't recall that I actually understood, I'd be guessing if I tried to indicate that.

Then across the page, "Failure by IBM," and so on, "After this time, Queensland Health will be required to implement its contingency strategy," and so on. You see reference of the determination of the current agreement?---I do.

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All right. And what did you understand by that?---Just as it read, Mr Traves, I think that there was obviously something which I wasn't fully aware of at this stage around that but I assumed that the agreement would either have an end date around that, November, in the agreement. 1

Can I ask you to go to a different place, and that is the auditor-general's report? If you'd open for me the briefing note, the first briefing note, 29 August 2008? Might the witness then see exhibit 2, which is the auditor-general's report?---Yes, I've got that. Sorry, you want three things open, Mr Traves? What was the third one? 10

Only two things, Mr Reid. All I need you to have there is the briefing note of 28 August 2008, just have it at hand just so you know what it is if you need to go to it, but the document primarily I want to take you to now is the auditor-general's report?---So that's in volume 5, is it?

I think that's right, yes?---The earlier briefing note. 20

Have you got that there now?---I've got the September 08 briefing. The 29 August briefing note?

Yes, that's the one I'm after, volume 5, at 294. Now, the auditor-general's report was something upon which you placed reliance in deciding to terminate the contracts of Mr Kalimnios and Mr Shea?---Amongst other things, yes.

Can I suggest this: it was the immediate catalyst for that action?---I was waiting for the auditor-general's report before I took action, and that was the catalyst to the actions, yes. 30

When did you see the auditor-general's report in relation to the time at which it was tabled in parliament?---The normal process, and I don't recall the normal process, but I would have seen a draft some weeks before hand, maybe a month or so. We would have been asked to comment upon the draft and indeed put final - I think from recollection I met with the auditor-general about it - and then he would have incorporated a final statement for Queensland Health within the final version. 40

So where it refers to Queensland Health - - -

COMMISSIONER: What page, Mr Traves?

MR TRAVES: I'm just really searching myself. There is reference in the document, is there not, to responses from Queensland Health and other stakeholders?---That would be a normal event of an auditor-general's report. 50

Were those responses something for which you were responsible, or did you do that through others?---I don't recall.

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The point I really wish to make, and it's most obviously made on page 20 of the auditor-general's report, is this: that in the context of - if you go back to the page before - project governance, many of the problems which occurred were the very matters that have been raised with you by Mr Kalimnios. Take, for example, under the heading "What went wrong", "The responsibility for implementation and effective operation of the governance structures should be performed by government agencies involved in the project." A matter raised with you by Mr Kalimnios, correct?
---Correct.

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The next paragraph:

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The prime contractor responsible for managing the project being the main supplier, and so on. Audits observation is that this type of arrangement creates difficulties in resolving issues that arise in contract management. There is also a potential for conflict of interest.

Again, a matter that Mr Kalimnios raised with you in August 2008?---That's correct.

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When he refers there, that is the audit of the general, the conflict of interest, it's the conflict, is it not, and you understand it to be so, between what a contracting party might regard as its interest under the contract and what the customer or the recipient of the services might regard as its interests?---That would be my interpretation, yes.

And that problem was something that had been raised with you by Mr Kalimnios?---That's correct.

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Two paragraphs down:

A specific project management methodology was not applied throughout the life of the project by either Department of Public Works or Queensland Health coupled with the complex (indistinct) arrangement -

and so on, you can read it.

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Various parties not always being clear about their responsibilities, authority and accountabilities. As a result, at times confusion surrounding control and approval processes of the project.

Again a matter that Mr Kalimnios raised with you?---Not in those words but broadly, yes.

Next paragraph:

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There still existed some tension between Queensland Health as owners of data and business process and Department of Works as owner of the system.

Then the following paragraph:

Responsibilities for different parts of the project shared, in my opinion, not clear which accountable officer had responsibility for the overall governance and successful completion of the whole project.

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Again matters raised with you by Mr Kalimnios?---Yes.

And not only, I suggest to you in August 2008 but subsequently during 2008 into 2009m consistent themes of

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discussions between you and he?---I would - as I indicated before, I wouldn't accept that in the way that you have stated. 1

THE COMMISSIONER: Sorry, you would or you wouldn't?---I wouldn't, sorry, Commissioner. I don't think that he at any stage during the process came back to these issues. It was more an issue of what we're doing to ensure that it goes live, giving an acknowledgement that the current arrangements would remain in place. 10

MR TRAVES: Then across on page 23, what went wrong. The first paragraph there, again matters that were raised with you, some of them albeit it similar to the ones that were referred to, matters raised with you by Mr Kalimnios?---I would need to check each one but I take it the broad discussion - - -

I'm really referring to the first paragraph. Do you accept that?---Broadly, yes. Again with the proviso that I think these things were being dealt with progressively during - I think that there was a process of - and in these arrangements the system was preparing for the go live. 20

They were - can I suggest you they are dealt with progressively by the board and the directorate as best as they could within the then determined arrangement but that the really big ticket item was one that you - a recommendation which you ignored?---I wouldn't use those words, I didn't ignore any recommendation. 30

You rejected?---I didn't reject the recommendation either. We had discussions around the recommendation.

You didn't accept it?---Well, no because - that's correct.

So you rejected it.

THE COMMISSIONER: He didn't act on it, basically is a neutral phase. 40

MR TRAVES: I will move on.

Now, can I take you to brief noting of 6 July 2009 at volume 9 page 240. You see - you have been kind enough to in exhibit 91 to identify those items which you say were matters for discussion at the meeting you had with Mr Kalimnios concerning the - - -?---Yes. I don't have a copy of that but yes. 50

Perhaps I should seek that. Might the witness see exhibit 91.

THE COMMISSIONER: Yes.

MR TRAVES: All right. Have you got that there?---I do.

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Now, what you have done is to highlight areas that you say weren't raised with you. Is that correct?---Yes. 1

If one were to look at your statement and one could adduce by reference to this document some items which you say were indeed raised with you and I'm not sure that they're entirely accurately reflected in those things that you have left highlighted but I mean no criticism by that, I appreciate it?---No. 10

But there is one that I wanted to raise with you. In the third dot point on the first page - - -?---Are you on my statement, sir?

I'm now on exhibit 91, so the coloured copy of the - - -? ---Right, okay, yes.

If you go to the third dot point on the background summary, third line, in addition, costs have escalated which is something that you have left as a matter not discussed with you, but if one were to look at paragraph 34B of your statement, it's a matter there that you seem to identify as something which was discussed?---Sorry, Mr Traves. The third dot point before Issues, are you talking about? 20

No, I'm sorry - - -

THE COMMISSIONER: No, it says, "Queensland Health are concerned that the control of project deliverables rest with CorpTech." The last sentence that you have highlighted is that it wasn't brought to your attention?---Sorry, page? 30

No, this is the first page of the - - -?---Sorry.

- - - Price briefing note - - -?---Yes.

- - - and the last sentence you have highlighted being something that wasn't discussed. Cost has escalated?---I was broadly aware of the cost escalation. My comment of highlighting that paragraph was the extent to which the project budget and time frame had doubled - tripled against the fixed-price contract. 40

MR TRAVES: Okay, thank you. The point that I am simply making is that if you look at 34B of your statement - - -? ---Yes.

- - - there is reference there to having been told about the costs escalation?---Correct. Correct. 50

Now, can I suggest to you that Mr Kalimnios raised with you in effect the substance of the whole of this document. I will put to you that in effect, he raised all of these matters with you?---No.

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Now, subsequently there was a meeting, was there not, between you and Mr Kalimnios and Mr Grierson. I think you would agree with that now?---Yes. I can't recall the details, but I understand that's the case.

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And can I suggest that that meeting was held in Mr Grierson's office in the Department of Public Works building on George Street in July or August of 2009?---Yes.

And that you and Mr Kalimnios walked down together from the Queensland Health building on Charlotte Street?---I accept that, yes.

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You three were there. There was no-one there from CorpTech?---Yes.

But there was a broad conversation about these matters that issues that were discussed around the fact that the project was not being delivered in accordance with the contract?---Yes.

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That there was no effort being made by CorpTech to make IBM to perform?---I don't recall the details of the wording of that.

No?---But certainly there was concern expressed around CorpTech, yes.

And the fact that CorpTech at least in the view of Mr Kalimnios was not holding IBM to the contract?---I accept that. I don't recall the actual wording or the meeting or the details.

30

I fully understand that you can't recall - - -?---Yes.

- - - the precise wording but I want to touch upon the topics which Mr Kalimnios would have it that you discussed at this meeting?---Yes.

So there was a discussion about the project not being delivered in accordance with the contract and that CorpTech was insufficiently administering the contract. Is that correct?---Well, sorry, are you asking me to say whether that is correct or whether - - -

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No?---No - - -

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No, no. That's another topic. No, I'm asking you - - -?
---I don't recall whether - my recollection of the meeting,
Mr Traves, is more around the concerns of the delays and
the issues around LATTICE and the need to get better
response from CorpTech and IBM. That's my understanding,
which probably encapsulates those commentaries you're
bringing up. I don't recall the detail of it, but that
certainly - that broad view I have is my understanding of
the meeting.

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All right. There was a discussion, can I suggest, about
whether there was an option which remained to take an
alternative approach, that is, to extract Queensland Health
from the project?---I don't recall that discussion.

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You don't deny it?---I don't deny it. I don't recall it.

I suggest that Mr Kalimnios raised the prospect of
Queensland Health getting out of the contract or freeing
itself from the whole of government proposal?---I don't
recall that.

20

Do you deny it?---Well, I don't recall it so I can't. Yes.
I don't recall it.

All right. There was discussion about Queensland Health
engaging IBM directly?---Yes. I don't recall that.

There was discussion about Queensland Health potentially
engaging another contractor?---I don't recall that.

30

There may have been discussion about the Workbrain issue
and should Queensland Health dump Workbrain and go with an
alternative rostering system?---I don't recall that.

The conclusion was or the attitude from Mr Grierson was
that he would try to get CorpTech to apply more pressure to
IBM?---That was my understanding from my general views
around the conversation as to what it was for.

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There was a strong message, can I suggest, from Mr Grierson
and one to which you ultimately acceded that CorpTech, IBM
and Queensland Health should get together and get on with
it?---That was generally my understanding.

Could I put some general propositions to you to this effect
that it would have taken serious matters concerning the
contract being raised with you by Mr Kalimnios in order for
you to take the serious step of arranging a meeting with
Mr Grierson as your co-director-general?---I accept that,
but I regularly had meetings with director-generals around
a whole range of issues.

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But given you accepted - the point I want to make is that
at this point in time, and I want to deal subsequently with
post July 2009, but at this point in time there remained

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and there had been brought to your attention serious issues concerning the likely product which was - concerning the product which was being provided at the time or which seemed likely concerning problems with the payroll as it was being implemented by IBM concerning, generally, problems with the whole project. There were serious issues at this point in time?---I wouldn't say they were put to me in those terms. I'd say it was put to me in the terms of: there are a set of issues that were concerning Michael around the continued functionality of LATTICE which could be rectified by improved relationships with CorpTech and responsiveness from CorpTech and better adherence to the contractual arrangements with IBM. That was the extent of my knowledge and recollection. 10

But there had plainly been continuing concerns about the functionality of LATTICE for some years now, by July 2009, that for some years - - -?---That's correct.

So what Mr Kalimnios was raising was not something that IBM might do or CorpTech might do about LATTICE - - -?---No, no. 20

- - - it was something to do with the proposal and what was proposed in order to replace it. Correct?---Sure. Yes.

Furthermore, the concerns he raised were within a context of the problems with LATTICE, but concerned of the quality of the product that looked likely to be produced by IBM and CorpTech and the problems Queensland Health was having and having a direct say in the quality of that outcome?---The first bit was my understanding, but the second bit I don't recall that being raised with us. 30

At this point in time it makes sense that he was raising with you concerns about the quality of what IBM had been doing. Apart from anything else, there had been a number of delays to the go live?---He certainly raised the delay issues. There may have been generalised - I courtroom. There may have been generalised comments around quality, but certainly his concern, as I've said on several occasions, was more around the delays and the timeliness and responsiveness of IBM and CorpTech and in the context of the problems which were being experienced by LATTICE. 40

And the problems which are being experienced by the new proposed system. What did he tell you was the reason for the delay to the go live?---Generally, that the delays which were being experienced were in responsiveness to CorpTech and IBM. 50

Because the product wasn't ready and was failing tests? ---Well, broadly, yes, but not in the detail. Yes, all right. I accept that that's generally where he was coming from, but his concerns expressed at that time was LATTICE based, "And we need to expedite these arrangements."

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I want to be clear?---Yes.

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You understood in July 2009 that there were real problems with the product that was being developed for the Queensland Health payroll and you were aware of that because Mr Kalimnios told you, without necessarily going into detail, that there were serious problems?---I still was of the opinion, even around that time, that the problems being identified were being rectified and if you go - - -

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All right. One by one, if I may?---If you go - - -

You agree he told you there were serious problems?---If we go to the price note on the FOI, that I understood to be the view of the senior executive within Michael's area.

That's dated, that document?---Yes. That's 10.

What date is that document?---In April 2010 or - - -

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After the go live?---Yes.

All right. And when everything seemed to be all right? ---Sorry?

When everything seemed to be all right. At a point in time where everything seemed to be all right in the payroll? ---Sorry, I don't follow.

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Mr Price's document postdates the go live and says in effect that, "By the time we got to go live we thought we'd got over the problems, which obviously is the case from the board's decision"?---But that relates to a document in July not to the go live document.

I'll go up.

COMMISSIONER: Mr Traves, I'm sorry, I'm confused, too, about the timing.

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MR TRAVES: What I'm attempting to put to Mr Reid was that Mr Kalimnios in July 2009 in the context of the briefing note raised with Mr Reid, if not the details of particular problems, the fact that there were serious problems with the implementation of the payroll system.

COMMISSIONER: I'm not sure you have got a clear answer.

MR TRAVES: No, no.

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Mr Reid - - -?---Sorry, commissioner, I didn't hear whether in fact it related to me or - - -

COMMISSIONER: I think you and Mr Traves are probably at cross-purposes about the timing of things?---Yes.

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Mr Traves is putting to you that at about the time of the Price memo of early July 2009, from the conversations you had with Mr Kalimnios, you were made aware that he believed that there were serious problems with the quality of the product being delivered?---Yes.

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Is that right or not?---Broadly right, yes.

All right.

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MR TRAVES: Indeed, can I suggest in that context that the advice to you subsequently and in the lead up to the go live was to this effect: that you were being advised that there were a - I'll summarise it first and I'll come back to the points. You were being advised by Mr Kalimnios that there were a lot of defects. There was a risk it wouldn't work; that there was constant discussion with you about the risks in go live to this effect though, "We have a process, Mick. We believe it will work, but you need to be aware of the risks, that is, that the product has a lot of defects and because of that there could be problems on go live." That, I put to you, is the effect of what you were being told in the lead up to go live, that there were some problems. I'll start again. There were some problems that in effect the board thought they had been covered, but that you should be aware there were risks that there could be real problems on go live. That's the effect I'm suggesting to you of what was being said to you by Mr Kalimnios?---The first two phases of what you've said is my understanding. The third is not.

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For my benefit, which ones do you accept?---That there were problems that the board had identified and managed these. Your third comment was that, "There are still real risks in the go live which we're bringing to your attention." That's not something which Mr Kalimnios brought to my attention.

Could I just show you a document? I'm conscious it is what it is, but I just want to put to you a question.

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COMMISSIONER: What is that one?

MR TRAVES: I don't want to put this document any higher, Mr Reid, than what it is, but I will ask you about it. You see it's an email at first from you to Mr Kalimnios of 24 March, "Re subject, successful go live of the new payroll and rostering systems. Congratulations. No suicide now necessary" and a response from Mr Kalimnios, "Thanks. We'll put the suicide plans on hold." Do you see that?---Yes.

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And that's from you to him and him to you?---Correct.

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Can I suggest to you in that context that you were well aware that Mr Kalimnios had concerns about the go live, he had raised concerns with you, he hoped it would work, indeed, he believed the best solution was to go live, but that nonetheless you were well aware of risks that things might happen with the go live which were unexpected and which might be potentially catastrophic?---No.

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Thank you.

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MR FLANAGAN: I'll tender that email.

COMMISSIONER: Yes, the emails between Mr Kalimnios and Mr Reid, 24 and 25 March 2010, are exhibit 97.

ADMITTED AND MARKED: "EXHIBIT 97"

MR TRAVES: Can I take you then to paragraph 56 of your statement? It's fair to say, is it not, what you've set out in that paragraph and your paragraphs immediately before reasons why the contracts of Mr Shea and Mr Kalimnios were terminated?---Sorry, Mr Traves, which one?

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Sorry, paragraph 56, thanks?---Yes.

It's fair to say, is it not, that would be the first time you've given any explanation to Mr Reid or Mr Kalimnios about the reasons for their dismissal?---Mr Shea.

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Mr Shea, I'm sorry. I'm sorry, Mr Reid. That would be the only occasion upon which they would have seen from you an explanation as to why their contracts were terminated? ---Other than the general discussion I had when I met them. When I met them I spoke about the issues which have been raised.

Did you tell them it was about payroll?---I didn't have to give them a reason for dismissal, I clearly discussed in my meetings with both Mr Shea and Mr Kalimnios, in which Mr Harradine was also present at, my concerns with the things that are not being brought to my attention in the go live decision.

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It would not be the case, Mr Reid, when this went go live that you thought this was a model implementation with no risks?---I don't think any payroll which serves to provide pay to 80,000 people with a number of different industrial awards would have no risk, but I would have thought that, as I indicated before, there were significant risks which were not brought to my attention which clearly arose after the go live decision and I would have expected had been identified before hand.

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Thank you, Mr Commissioner.

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COMMISSIONER: Mr Sullivan?

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MR SULLIVAN: Thank you, Commissioner.

Mr Reid, on 28 June 2010 you met with Mr Price?---Correct.

And you provided him with a letter which indicated that his contract was being buried and he was being removed from his position to do in effect with the QHIC project?---That's correct.

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And you hadn't met with him before that date in the period from the go live to that date?---I don't believe so.

And I think your evidence before when counsel assisting the commission asked you was: you don't believe that you had any serious discussions with Janette Jones?---I think that's correct.

So when the decision was made in relation to Mr Price and indeed in relation to Mr Shea and Mr Kalimnios, you had no asked Mr Price about the circumstances existing immediately prior to the go live decision?---Personally, no.

20

Nor had you done the same thing with Ms Jones in relation to the area where she had responsibility?---I had not, no.

If I could take you to your statement and ask you, firstly, to look at the issue dealing with - at paragraph 58, the first sentence. Do you see you make the statement, "Due to the excessive number of problems and errors brought to my attention, they're wide spread nature and compelling effect, I form the view that it ought to have been readily apparent from any review or assessment," and it goes on, "It was not ready to go live. Do you see that?---Correct. I think the word is "extensive", not "excessive".

30

And you give some examples at paragraph 56, a number of examples of circumstances existing after the go live date? ---Correct.

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Do you see that?---Correct, and other things which were tabled yesterday.

If we look at 56, that comes from - if you could be shown exhibit 93? I'll ask you to be shown exhibit 93?---Yes.

Is that where you took the matters which you put in paragraph 56?---That's correct.

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And the document doesn't have an identified author, does it ---That's correct.

Or identified date?---That's correct.

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I take it you didn't speak to Mr Price nor Ms Jones about any of the matters in this document?---That's correct. 1

And you didn't yourself forensically examine on an item by item basis these particular complaints as to whether they were known before go live or whether they had workarounds, or whether views were taken that the workarounds were appropriate?---These were things which were brought - this document, my understanding, and I think this is probably a question for the commission to Michael Walsh - it came from the payroll stabilisation committee which put a fair degree of work in, in trying to identify what the problems were at the go live and subsequent. 10

COMMISSIONER: Did you have that document before you made the decision to remove Mr Price and Ms Jones?---No, but I knew the general tenure of what's in it, I don't recall having the document. This was a document of subsequent preparation of the statement. 20

MR SULLIVAN: Thank you, Commissioner, I might just take that a bit further.

COMMISSIONER: Yes.

MR SULLIVAN: So these matters were not matters which you can specifically say informed your decision making process in relation to the three gentleman, Mr Shea, Mr Kalimnios and Mr Price?---At the time of making the decision in relation to those three, I certainly knew around these matters and I knew a range of other matters around the numbers of staff who hadn't been paid on a regular basis, a number of staff who were underpaid, the problems with the rosters and the complexities of these issues and so forth to attention. This was drawn, from recollection, I think, of people logging their concerns at the point of go live, and I think I mentioned yesterday how they were brought into a single document. 30

Are you able to say all of these matters were brought to your attention specifically before you made your decision? ---No. 40

So at paragraph 65, if we look at that, approximately seven lines from the bottom where you refer to paragraphs 57 and 58, it was the extensive number of problems, errors and replacements brought to my attention after go live and their date, and the fact they should have been rectified prior to go live, that formed the basis of your decision?---Sorry, I missed that. 50

Would you look at the last seven lines? Would you agree that the way that reads is - - -?---Sorry, I don't know the paragraph.

COMMISSIONER: Paragraph 65.

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MR SULLIVAN: Paragraph 65?---Thank you, Commissioner. 1
Yes.

What you were seeking to do by those last seven lines was
to give the impression that, as specific examples, these
matters at 56 were what were affecting your decision making
process in relation to three gentlemen?---I'm not trying to
draw the specificity of those, but there were a range of
issues which were brought to my attention which formed part 10
of the - what was tabled yesterday, which were all the
staff issues around their problems of getting paid or not
getting paid, the issues around casuals, the issues around
concurrent employees.

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But there's no confusion, is there? 65 is drawing specific reference to 56 to 58 and 56 provides specific examples of the matters which you say formed your decision-making process?---Examples. 1

Yes?---Yes.

But you're identifying that exhibit 93 now was a document created after you made your decisions. That's what you told the commission?---No. Sorry. The issues which were in that document were issues which arose from the day of go live and were then progressively compiled into a single document. 10

Did they all arise from the day it went live?---Most of these issues arose - if you look at the two documents, I've excluded from some those issues which I thought probably arose later during the process. Most of these issues, I think, would have arisen around the go live date. 20

Did you do any forensic examination in relation to these issues to see whether they were known before the go live date or whether a view had been formed that there was inadequate workaroud in relation to them?---I did not, but it was the advice given to me by the payroll stabilisation committee that these were issues that arose as a result of the new payroll. 30

If we look at paragraph 58, could you just read that to yourself?---Yes. 30

Is it a fair assessment that your decision-making process was this: that because problems manifested after the go live date you drew or you assumed that it must have been readily apparent before the go live date that these problems would have the effect they did after that date? ---No.

If we just look at the first sentence where you say: 40

Due to the extensive number of problems and their widespread nature and comparative effect, I formed the view that it ought to have been readily apparent from any review or assessment of the replacement payroll system undertaken prior to its implementation that it was not ready to go live when it did.

Did you examine in drawing that conclusion the documents that the board had before it at the go live decision?---I don't recall whether I examined the documents the board had before it. I certainly was aware, as was the Queensland Health system, of the things that occurred at the post go live date and my comment has been that none of those were brought to my attention as possible risks which needed to be mitigated before the go live date and so in that sense I 50

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do still believe it failed the test of not being brought to the attention of anyone where a variety of actions could have been taken through unions and staff to mitigate against those risks. 1

COMMISSIONER: Mr Sullivan's question really was, "What was the basis for your assumption or belief that because the defects were obvious afterwards they should have been obvious before that?---The basis of agreement, commissioner. I believe that the date should have been identified in the variety of testings or issues that were done by the directorate and the board pre to go live date and I think there was clearly a failure to identify those issues, even simple issues and, again, not attributing to any IBM issue or CorpTech issue or anything, but very simple issues such as the total inability of people to read their payslip, which affected 80,000 people. 10

MR SULLIVAN: I'll ask the question again. I think Mr Kent took you to the document and I had understood that you'd identified that you hadn't seen it, but the QHIC final solution risk assessment report by Mr Burns and Mr Shah - you didn't look at that before you made the decision in any detail, did you?---I don't recall, no. 20

The management response which went to the board, you didn't look at that document in any detail, did you?---I can't recall. No.

You didn't interview Ms Jones, did you, about what had occurred?---That's correct. 30

You didn't understand the process that had been gone through in relation to workarounds?---I understood generally the process, but I didn't take that into account in making the issue - - -

No?---The issue with Ms Jones was a slightly different issue, if you wish to go there. It was an issue which was brought to my attention by Michael Walsh that in his view there was a need to move people into the payroll area, in that area, in order to be able to rectify the problems in a correct fashion and I took his view on that. 40

You may be misapprehending me, Mr Reid. You were dismissing in effect two gentlemen, you were removing a third gentleman, and you were doing so on the basis that because things had manifested after go live, it must have been readily apparent before the go live. What I'm asking you is did you speak to the people who'd been on the directorate dealing with the risk factors before you made those decisions?---No. 50

In fact, did you speak to anybody on the directorate?
---From recollection, no.

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Didn't you think that might have been a relevant thing to do in making those serious decisions affecting the work of the three gentlemen you were dealing with?---No.

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Did you not form the view that that may have assisted you in making the decision whether these risks were readily apparent at the time the go live system decision was made? ---No.

You identify a second reason, that is the no surprises reason?---Correct.

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That's your rule, is it?---No. It's a general rule of Queensland public policy which was adhered to by the director-general of premiers at that time.

I won't go over the grounds my friend Mr Traves has gone over, but you have identified that there was a board which had a delegated decision-making authority in relation to this?---Correct.

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You understood that that decision obviously had to balance existing risks?---Correct.

There was the risks with LATTICE?---Correct.

And there were risks associated with going live?---Correct.

Am I correct in saying that at least your perception which you formed was you were remote from the decision-making process?---Like many decision-making processes, it was delegated in the appropriate fashion.

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That was your belief?---Yes.

That was a deliberate position that you took and you understood that you were removing yourself from that decision - - -?---No.

- - - had no part in it?---No, no. Again, it goes to the comment or the question of Mr Traves that that was not an active decision in removing myself from the decision. That was a decision which was made to accommodate CorpTech, IBM and Queensland Health and, indeed, my colleague Mal Grierson was not part of that decision, whereas members of CorpTech were.

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But that's the effect of where you perceived yourself in that - - -?---Yes.

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- - - you were removed from it?---Not removed from it. My view is it was a delegated authority and appropriately delegated, just as one delegates to a CEO running Darling Downs Health Service with responsibility for budget and running that health service in a way that was delegated and under accountabilities indicating the performance contract.

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So on that position Mr Kalimnios ought to have understood from what you're describing is that he shouldn't have been reporting risks up to yourself for some further decision, but he was to be left to balance the risks on the board with the other members of the board?---No. That's not the understanding I had with Mr Kalimnios or with any other person. The expectation under the no surprises route, we take that as a process. The expectation would be that where a decision is being made which has a set of impacts which might have an impact upon budget, pinnacle policy, media response or affect the staff is that they would identify those risks and bring those risks to my attention, particularly if a decision was being made to proceed with the action and those risks we would do whatever - at least to be aware of that, which could have been done a lot more prior to go live.

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But for what purpose, Mr Reid? You identified that you had no intention of involving yourself in this decision. So what purpose was there in bringing any of that information to yourself on your case?---There's a multitude of purposes, so there would have been a purpose to work out whether there were other things that we needed to have a discussion with him about how we'd deal with other people who reported directly to me, the CEO's of the districts, whether there should be further union meetings to discuss those things, whether there should be briefings with ministers or government around those things, whether we should defer undertaking a set of actions or not.

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That rather sounds like you do appreciate that you had some responsibility for the decision-making process in relation to go live?--I didn't have - no, I didn't have responsibility for the decision-making process. It was a delegated responsibility but Michael knew, as did anyone else, in undertaking any delegated responsibility, if there was significant consequences which would result, they would bring that to the attention of the senior executive, it was a normal process. It was not done in this case.

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That's your recollection, is it?---That's correct.

That Mr Kalimnios didn't tell you about his concerns?---He didn't tell me about the risks at that stage.

At least in relation to Mr Price, he didn't report directly to you, did he?---That's correct.

So you wouldn't have expected Mr Price to have to have come to you in relation to those matters?---That's correct.

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No further questions, thank you.

THE COMMISSIONER: Mr Doyle?

MR DOYLE: Mr Cregan, thank you, sir.

THE COMMISSIONER: Mr Cregan?

MR CREGAN: Mr Reid, could I ask you to take up your statement, please. I want you to go to paragraph 14. The paragraph referring to the first briefing note in August 08?---Yes.

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Now, I don't say this critically but you relied on other people for the content of that brief?---Correct.

You wouldn't have investigated the contents of the briefing note itself?---That's correct.

40

So you wouldn't have read the underlying document in relation to the brief?---That's correct.

So it's fair to say you wouldn't know if the contents were accurate?---That's correct.

Paragraph 18 of your statement, you set out a number of matters where you discuss things with Mr Kalimnios and he makes a number of points. I'm just going to go through a few for you?---Thank you.

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Each of the points you wouldn't have separately researched, that he has made to you?---That's correct.

And you wouldn't have read the IBM and CorpTech contract? ---That's correct.

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You wouldn't have read the statements of work?---That's correct. 1

You have never read the contract?---That's correct.

Or the statements of work?---I may have read one of - correct, yes.

And you wouldn't have read the deliverables under those documents?---No. 10

All right. So you relied at paragraph 18 on just what things Mr Kalimnios was telling you?---That's correct.

And similarly paragraph 20, that refers to another briefing note in September. You wouldn't have researched the detail there?---That's correct.

You relied on others?---Yes. 20

And you wouldn't have independently checked those facts?---That's correct.

As to those, you wouldn't have read the change requests? ---That's correct.

All right. Again at paragraph 28 - maybe we can make this shorter, the briefing notes that you didn't write, you wouldn't have independently checked the facts?---The briefing notes in relation to this topic if we try and specify that, correct. 30

All right. So the briefing note refers to paragraph 28? ---Yes.

The 6 July memorandum at paragraph 33?---Well, I didn't see that so - - -

But even if you had, you wouldn't have checked it?---That's correct. 40

You were relying on other people to tell you?---Correct.

The same thing applies to the briefing note of paragraph 66?---If I can just look at that.

Sure?---66?

Yes. 50

THE COMMISSIONER: Yes, I think so. 17 March 2010? ---That's correct.

MR CREGAN: Now, at paragraph 47 of your statement you refer to the KPMG report?---Yes.

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I just want to run a few things past you. That report was based on certain assumptions, are you aware of that?---I am. 1

And you wouldn't have identified - checked those assumptions? ---That's correct.

You wouldn't have identified the contractual obligations of the different parties that are set out in those assumptions?---That's correct. 10

Were you aware that CorpTech and IBM had not been consulted in relation to that KPMG report?---I was not.

All right. Would you accept that it says that in the report itself?---If it says that, I accept that.

Are you aware that one of the criticisms it makes of system performance?---I am. 20

Are you aware that system performance and stress and volume testing was the responsibility of QHEST, QHEST?---That it makes that statement, yes.

Well, are you aware that - - -?---I'm aware of that, yes.

That that was the contractual obligation of QHEST?---I wouldn't have known it was the contractual obligation but I knew that - - - 30

CorpTech (indistinct)?---Yes.

As for data migration, did you know that that was a Queensland Health responsibility?---Again, I would expect it would be, yes.

All right. Now, my learned friend Mr Sullivan has taken you to a number of matters in 56. If we could just go through some of those, please. You say here, "The following are some examples of problems, numerous problems, errors, the replacement identified following go live that required to be addressed as part of the payroll stabilisation process"?---Yes. 40

I believe you told Mr Sullivan that you wouldn't have independently gone through some of those?---Correct.

I just want to look at that statement, if I could. Commissioner, I have provided to counsel assisting the QHIC solution and defect management plan. It is version 1.1. It's just a better printout so it's a little easier to read. 50

THE COMMISSIONER: Thank you. Is there a copy for me?

MR CREGAN: There should be.

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THE COMMISSIONER: Mr Cregan, I might note this as a separate exhibit. This is the QHIC solution defect management plan version 1.1 and this is part of it, was it? 1

MR CREGAN: Yes.

THE COMMISSIONER: All right. Exhibit 98.

ADMITTED AND MARKED: "EXHIBIT 98" 10

MR CREGAN: Now, again not a criticism, but you're not technically qualified?---I am certainly not.

You have no degree in computer science or information technology?---I do not.

And you aren't personally familiar with the matters set out here?---I would need to check them.

THE COMMISSIONER: Have you seen this before?---I saw it yesterday but I saw it briefly so I haven't had read them in detail. 20

MR CREGAN: Where did the list come from?---I do not know.

Sorry, I mean this list; paragraph 56?---Sorry, I thought you were referring to knowing the things in here.

MR CREGAN: Sorry. 30

THE COMMISSIONER: Exhibit 96 came from the payroll - so that was - - -?---Yes. My understanding, it's a version of a document that was developed by the payroll stabilization committee which was provided the payroll supervisors but I'm not absolutely certain about that, that would be a question you would need to ask Michael Walsh.

MR CREGAN: Where did you get it from?---From Michael Walsh. 40

When?---I got it about a week ago.

So you have been speaking to Michael Walsh about the matters contained in here?---No, not about the matters. Once I asked him whether there was any document, the payroll stabilization committee had which effectively were the problems that were identified.

So the things outlined in paragraph 56 aren't the things you knew?---No, as I said earlier, many of those things I knew but this was a document - - - 50

So it's only because of the document from Mr Walsh you put these materials in here?---Not only because of the documents, sorry. Can you repeat the question again?

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THE COMMISSIONER: I think Mr Reid is saying that he had some verbal briefings about these matters at the time that the document summarises and - - -?---That's correct.

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- - - expresses them more forward?---That's correct, and there's another document, I think this document, Commissioner, more relates to issues which were identified in the payroll office and another document (indistinct) dashboard of the issues around staff.

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MR CREGAN: Now, at paragraph A, you talk about higher duties and complex workarounds were required to allocate single (indistinct) duties required incrementally. Can I ask you - actually, I might just - can I ask you to take up the defect management plan?---Sure.

Can I ask you to turn to page 3 of that document. If you could read that paragraph to yourself, could you, please? ---Yes.

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So you understand this is a document which sets out the plan for dealing with known defects?---Yes. **1**

The things that have been identified prior to go live? ---Right.

Did you know that at the time?---I haven't seen this document at all.

Okay. Did you know a document existed dealing with defects - - -?---No. **10**

- - - or ways to manage defects?---I knew there was defects but I didn't know any single document that existed and nor sighted one.

Did you know people were working on ways to get around known defects?---Yes.

So you would have expected this document would have existed?---I presume so, I haven't thought about that but I presume there would be a document. **20**

Can I ask you to turn, please, to page 6? You'll see at the top of that page that as expected before go live there'd be a series of - I believe they're called "code drops", post go live code drops, post go live deployments of software updates?---Right, yes.

That's expected, so you can see at 2.1 post go live 1 - - -?---Yes. **30**

- - - 2.2 post go live 2, 2.3, those sorts of things? ---Yes.

And at 2.3 some things are targeted for deployment to deal with SAP stacks?---Yes.

Are you familiar with what SAP stacks are?---Vaguely. **40**

It's your understanding?---Well, I know what SAP is, I don't know what the stacks were. I knew around the various post go live rectifications were going to be employed, there was a stage of post go live implementation but it's certainly not an area I have any familiarity with at all.

All right. What I'd just like to do, if I may, is see if some of the matters that you referred to in paragraph 56 - I'm going to suggest to you that some of the matters you refer to in paragraph 56A are in fact in this document? **50**

COMMISSIONER: Are - - -

MR CREGAN: Are in fact in this document. So if you look at 56A, higher duties and a workaround, can I ask you to

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turn to this? The numbering has gone a little skewed, but I think it's page 4 of eight. 1

COMMISSIONER: It's on the spreadsheet?

MR CREGAN: On the spreadsheet, yes. We're looking for item 2431, which I believe you've got with you, eighth one down, so halfway. You'll see there in the fifth column across, "WB," which I assume is Workbrain, "single day higher duties"?---Yes. 10

And that was a known defect before go live and in fact it had a known workaround. So you'd accept that paragraph's not right in your statement?---I don't - - -

You said these were identified after?---I don't accept they're not right, I think they are things which were problems identified in the pay run. Your point to me is they have been identified as something which would be rectified at a date in time, is that right? 20

Just clarifying something you said to Mr Sullivan, the problems identified following go live - - -?---Yes?

- - - this was before go live?---Yes, well - - -

So it's not following?---No, that's correct, but the problems were certainly identified post go live and it may well be that - and I'm surmising here - it may well be that the payroll stabilisation committee wasn't fully apprised of what were the post go live workarounds or post go live adjustments that were going take place, I don't know. It's a question you would need to ask other people. 30

But you've asserted it in the statement that this is accurate?---Because it is accurate that complex workarounds were required, your - - -

It's not accurate to say it wasn't identified before? ---Well, this is a commentary that I got from the payroll stabilisation committee, so I can only take their word that was something that they identified. 40

But you have identified that in your statement. You say it as though it's your own knowledge?---No, I thought I mentioned they were identified following go live they were required to be addressed as part of the payroll stabilisation program, they identified them and addressed it.' 50

But you were on the project, you're the chairman of the committee, aren't you?---I was the chairman but there was a group doing it.

So you oversaw it?---Yes.

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Let's have a look at letter (b), this is the on-call allowance. Would you be aware that this was in fact extra work that IBM were paid another \$35,000 to fix along with some other things?---No.

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COMMISSIONER: Even after go live?---I do make the point that I'm not attributing any of those to any actions, but, yes, I wasn't aware.

MR CREGAN: Are you aware it's an approved variation? ---No.

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Could the witness please be shown this document, which I'll hand up, and again, counsel assisting has it? The cover of it says, "Statement of Work 3: all project minor enhancements to QH HR-ECC system." Now, if I can ask you to turn to page 4 of that document, this is the change in relation to the requirement given by Queensland Health to deal with on-call matters for senior nurses?---Yes.

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And that's what you're complaining about, 56B, isn't it? ---I haven't read this in detail but that's my understanding, yes.

If I can ask you to turn to page 10?---Sorry, does that relate to the directors of the meetings? Anyway, yes, page 10; yes.

You'll see it's a signed variation?---Yes.

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It looks like Ms Berenyi, Mr Kelly, someone on behalf of Mr Kelly. Do you know whose signature that is down the bottom?---I think that might be Michael, I'm not too sure. I don't know, sorry.

Michael Kalimnios?---It may be. I don't know.

Could it be Mr Grierson's?---I don't know.

Would you accept that 56B appears to refer to something that was later a variation?---I accept your statement. I mean, I'd need to review this in detail to have a look but I accept what you're saying.

40

Would you be able to know the detail? Sorry, if you were to read this would you be able to satisfy yourself of the detail?---I would need to - if I was to read this document?

Yes, the variation?---Would you want me to read it now?

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If you like.

COMMISSIONER: Mr Cregan, I don't want to spoil your fun, I am conscious of the time though and these are topics probably best dealt with Mr Walsh?

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MR CREGAN: I was only proposing to go through a few, Commissioner, but they're asserted against us as defects.

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MR FLANAGAN: Can I say I made very clear in my examination of Mr Reid - I asked him two questions, first of all, "Was any investigation done in relation to this list as to who was to blame for the defects?" and he said, "No"; I said, "Was any investigation done as to the scope of the works as to who was responsible for these defects?" and he said, "No", with the very purpose of hoping to avoid this exercise, but can I make it clear we will make people available, two people available, for this very exercise to be conducted?

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MR CREGAN: If this evidence is not to be relied upon as a foundation for the suggestion these defects were not identified pre-go live, or that they are things which are truly defects in IBM's performance, then we'll stop asking these questions but we were given this statement on the basis that it contains things said to be issues identified post go live about which we had apprehended there was complaint about our performance.

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MR FLANAGAN: In that case it's best that the examination continue by Mr Cregan.

COMMISSIONER: I'm sorry?

MR FLANAGAN: It's best that we just let Mr Cregan continue his examination.

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COMMISSIONER: Very well.

MR FLANAGAN: Can I ask that statement of work 3 be tendered though?

COMMISSIONER: Yes, statement of work 3 is exhibit 99.

ADMITTED AND MARKED: "EXHIBIT 99"

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MR CREGAN: Would you be aware that a complaint made at 56C is that which is dealt with in this document - sorry, the statement of works document - - -?---Yes.

- - - at page 4, point number 3, that pay rule 456518 needed to be added to 124 calculation groups because it was a new requirement put to IBM by Queensland Health?---I was not aware that comment was made.

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You'd accept that if your complaint that 56C is this 456 - - -?---I would. 1

Then that's dealt with as is - - -?---Correct.

All right. Do you know the defect numbers or any of the numbers that are attached to this matter?---No.

As to D, public holidays, incorrect calculations, are you aware of the detail of that allegation?---I'm not. 10

So if I were to suggest to you it was because of one of two things: Queensland Health hadn't told IBM about show days in regional areas that needed to be put in, you wouldn't know?---I would not.

All right. As to point E, SAP reporting impacts on system performance, when reports are run in SAP they could impact on the speed of the system; some reports need to be reprogrammed, that sort of thing. Would you know that those were known matters?---No. 20

They were in fact defects 2451 and 2427 and they're in the defect management plan?---I acknowledge that.

You accept they're in there? We can go through it?---I accept it, yes.

I'll skip a few. Let's look at G. These are the 2009-2010 payment summaries and also relates to point H, so we'll do them both at the same time if you want. Are you aware that those were problems actually in the SAP system?---I was - well, I would read that as being a SAP issue that I was not aware specifically. 30

In fact it was because testers found it that SAP needed to actually urgently update their software?---I accept that.

And this is dealt with and was deployed following the legislative compliance release we were talking about before, which is the SAP stacks. Do you accept that?---I accept that. 40

And you accept that was dealt with?---I take your - I don't know whether it was dealt with, but I accept what you're saying.

I'll show you some documents. Are you in a position to know if this - - -?---No. I'm happy to accept what you're saying. 50

I might deal with this in another - we'll put on material about that, commissioner.

COMMISSIONER: I'm sorry?

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MR CREGAN: We'll put on material about this, commissioner, to satisfy you about these points as well.

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As to 56I, you wouldn't know if that's defects 838,238 and it was fixed by a hot fix a few days later?---No.

Fixed by 16 March?---No.

You wouldn't know if it was dealt with by an emergency transport?---No.

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All right. The roster load form at point J, "When on-call shifts were added through the roster load form, a meal break was automatically added which required manual removal of the meal break later." Are you aware if that's something that Queensland Health actually asked for?---I'm not.

Can I show you something? It's a functional specification enhancement form version .3 and a covering acceptance sheet. These have been provided. Can I just ask you to satisfy yourself that the acceptance sheet you're looking at relates to the document, the functional specification enhancement document?---Yes.

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It's accepted by Mr Mike Robinson?---Yes.

All right. Can I ask you to turn to - sorry. Are you familiar with functional specifications?---No.

30

Not at all? All right. You'd expect these are the kinds of documents that have been dealt with in this project to specify what needed to be done in the system?---Yes, yes.

Can I ask you to look at page 20? At the bottom of that page it says, "Additional processing meal breaks. A meal break will be inserted for any shifts entered into the RLF that are six hours in duration. All meal breaks added will be half an hour and served as non-paid meal break"?---Yes.

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You'd accept that would be the automatic meal break that you were complaining of in 6J. It's something that was asked for by Queensland Health?---Sorry. You used the word - did you say "complaining"?

Well, identify - - -?---I just wanted to - - -

I'll use the neutral term?---I wanted to grab your wording because, commissioner, the purpose of this and there's no attribution, I make it clear, in any of these around the appropriateness or otherwise of the actions of IBM or CorpTech or even Queensland Health in some ways. The purpose of these and the other commentary of the issues we tabled yesterday is at the time of payroll going live, a large number of people were not paid or underpaid or their rosters were in trouble or a set of issues around the

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functionalities of Workbrain and other things were identified. My purpose of raising this was I didn't think there were adequate actions taken to identify the risks associated with these to put in place actions as to how we involve staff and others in explaining to them how long these would take to fix or what the impact would be, not around where they came from. I make the general comment, although I do accept your concern that there might be an implication that these are problems which are attributable to the contact. There's certainly nothing I would wish to make a comment around that.

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So is it right to say that all you're saying - - -

COMMISSIONER: Paragraph 55 of Mr Reid's statement makes it perfectly clear what the purpose of the following information in the following paragraphs is about. You go on. If you think this, you go on.

MR CREGAN: Is it right to say, Mr Reid, that the only thing that you're saying in 56 then is that these are things that have to be attended to?---I would say something stronger than that. The intent of these is to - and together with what we tabled yesterday around the number of staff who were not paid or underpaid - say we should have had a better process. If these were issues which were identified and part of an ongoing program of rectification or things - regardless of where they came from, they were things that should have had a particular strategy around them about how we involved union, staff and other people around informing them prior to go live. In fact, you were pointing out to me a number of these were known prior to go live and things were in place post go live for their rectification. I accept what you're saying. My commentary is not around the veracity of that, but around the need for those things to be identified in a far better fashion well before the go live decision so that other things could have been put in place where people - we didn't have to respond in the fashion we had to respond by dramatically increasing payroll staff because, as you would be aware, the impact of these collectively with other things caused a dramatic increase in payroll staff. Again, I don't attribute fault, and indeed causing pain and angst among staff without a knowledge of what the problems were.

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I see. So taking that on board and trying to summarise that, I'll use neutral terms, I'll say they're attended to just for the purposes of - - -?---Thank you.

They weren't anticipated - you're not now saying that these weren't things anticipated before or things that aren't in the defect management plan?---No.

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Okay. That these could have been things that were additional to IBM's scope?---Correct.

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COMMISSIONER: What do you want done with the deliverable acceptance sheets? 1

MR FLANAGAN: Yes. May I tender the deliverable acceptance sheet dated 3 November 2008 together with, as one exhibit, the functional specification enhancement which is undated, but refers to the revision history of being version 3, 9 October 2008?

COMMISSIONER: Yes. They together will be exhibit 100. 10

ADMITTED AND MARKED: "EXHIBIT 100"

MR CREGAN: All right. We'll move off that topic. Can I ask you to look at exhibit MR1 to your statement?---Yes.

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This is a briefing from you to the director-general of the Department of Premier and Cabinet?---Yes. 1

Who was in that role at the time?---Ken Smith.

Now, is it right to say that within Queensland Health, the person with probably the greatest knowledge of payroll was Janette Jones?---I would accept that, yes.

In your memo - brief for noting, I apologise, you know that there are fifth point down under Background Content, there was decreased time for cut over?---Yes. 10

And that would be decreased time to insert roster adjustments?---That's correct.

Right. So of the 3 to 4 thousand adjustments, there are about seven days less that would lead to part of the backlog?---Correct. 20

All right. There was - tell me if you know - around this time a policy decision at Queensland Health to move to no roster no pay?---That's my understanding, yes.

Right. Whereas previously no roster previous pay? ---Correct.

So if people didn't get a rostering sheet in or their adjustment didn't go in on time - - -?---They were replicated by the previous one. 30

In the previous system?---Yes.

But in the new system, they did nothing?---That's my understanding, yes.

Okay, all right. Your briefing note shows, doesn't it, that things were getting better from pay to pay?---Yes.

Performance was improving, backlogs were being cleared? ---At this stage of that briefing which is 11 April, we hadn't addressed any of the LATTICE backlogs you will recall, I mentioned yesterday which still number 26,000 but the backlogs out of the three pay periods given the significant backlog in pay period 1 was being progressively addressed is my understanding. 40

Okay. What is the content of the LATTICE backlog? What was it?---I don't know. I would have to reflect upon it but I think from recollection, there was something like 20,000, 26,000 adjustments. 50

Adjustments?---Not done - yes, at the time of changeover.

And they would be put into LATTICE and migrated or they would - - -?---Then they had to then be migrated from that as though - and I think they were delayed in trying to get the new payroll work. Again, you're asking someone with limited knowledge of the details but that's my recollection.

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All right. Can I ask you to look at the next exhibit, MR2. We have already dealt with this but you accept that QHEST and CorpTech had responsibility for stress and volume testing?---Yes.

10

And that would lead to performance issues?---Yes.

Okay. You're aware when you set out in this letter that IBM deployed people straightaway to help with these issues? ---That's my understanding, yes.

People, do you know, from Infor, the manufacturers of Workbrain?---I wasn't aware of that, no.

20

Okay. A critical situation manager from IBM called Greg Grier?---I wasn't aware of the details, no.

Or an Oracle specialist?---No.

THE COMMISSIONER: A what specialist?

MR CREGAN: An Oracle specialist.

30

In your exchange with Mr Traves this morning, one of the things that you mentioned was payslips and I was wondering, do you know previous to the implementation of the new system that payslips are fairly generic - - -?---Yes.

- - - they just would give you a single figure?---Yes.

Whereas after the new system, there were fairly complicated breakdowns?---Correct.

40

So people actually were able to identify - - -?---And much better detail once you understood it.

Right. They were able to clarify items - - -?---Correct.

- - - which previously they weren't able to do?---Correct.

And that would likely lead to more questions?---It did.

All right. That was a matter that you said to Mr Sullivan that impacted 80,000 people, these new complicated payslips?---Yes.

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Had those people been informed or trained as to what the payslips meant, there would have been less trouble?---One would hope so. I know there was some level of education

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but yes, that's my general proposition, that many of the calls that came through - and you would have to again question people involved in the call centres around this, many of the calls that came through was sheer ignorance around what the payslips meant and what was in the various components of it.

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All right. Part of the communications that would need to happen would be part of the change management team. They were the people who would take care of these kinds of training?---Again, not ascribing any responsibility to those, yes - sorry, not ascribing - my general comment that identifying these issues, I'm not ascribing any problems to any individual group or organization. I am saying here was a problem which was identified.

10

I'm asking you a general proposition?---Yes.

The group that would deal with this would be a change management group?---That's correct.

20

And there was a change management group at Queensland Health?---That's correct.

Are you aware that they had contractual obligation to take care of this?---I wasn't aware of the contractual obligations around that but I accept that.

It is set out in the scope documents, isn't it?---I accept that.

30

All right. One of the other changes that happened in this cut over system were the rosters were going to new different - centralized places?---Correct.

They were going to pay hubs?---Mm.

To get the form itself to the pay hub, these were often faxed?---There was (indistinct) mechanisms, they were often faxed, that's right.

40

There were substantial problems with the fax network around go live?---There certainly was.

That meant the roster sheet wouldn't get to - - -?---Or got there in multiple ways, by emails and fax and then had to differentiated.

So they would then be duplicated?---That's correct.

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And then there would be adjustments later?---That's correct.

All right. Is it right to say that there wasn't a single roster form. There were 40 of 60 different types of roster forms?---I think that is my understanding and I think part

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of what the payroll stabilization committee did earlier was to try and emerge into a single roster form, to standardize the roster process of someone. 1

And that we have heard evidence - maybe you can comment on this - that there were local codes that were sometimes used on those forms?---That was my understanding.

They didn't have a common understanding across Queensland Health - - -?---That's correct. 10

You were asked yesterday about payroll staff numbers. Is it right to say that Janette Jones would have a good insight into the numbers of staff that were taken on in the lead up?---I'm not too sure. I think that might have been directed into the committee members who were full-time so I'm not too sure whether Janette would be the best person to go to about that.

All right?---It's a question I think you would probably better take up in subsequent interviews around that. 20

Thank you, Commissioner?---Thank you.

THE COMMISSIONER: Mr Ambrose?

MR AMBROSE: Mr Reid, could you tell the commission what's the purpose of briefing notes to the director-general? ---The briefing notes were sent to me as I started to - as I briefly explained earlier, for a variety of reasons. They were sent to me to note a set of actions that were taking place and often to indicate to me where there were sets of things and consequences that might occur around those things, so more an advisory note not indicating or seeking my approval but saying, for example, we are going to close - our intention is to enclose or close the pathology service in district X and there are a set of consequences around this which we would bring to your attention. Other briefing notes would be brought to me for approval of certain actions. 30 40

If the deputy director-general was unable to manage something within his area of his responsibility, what course would you expect to follow?---If anyone was unable to manage, as I indicated earlier, that had a set of consequences that I would expect those things would be brought to my attention either through a briefing note or communication of some type. 50

If a deputy director-general was aware that a decision made was attended with the sort of risks that were identified in the KJ Ross report, what would you have expected from such a deputy director-general?--I would have expected at least to be advised that these risks had been identified and either that in a noting briefing that a set of actions were being taken to mitigate these risks or that another set of action was proposed as a result, they would seek my advice on it.

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Did you get briefing notes from Mr Kalimnios on various issues between 08 and go live?---Yes, I got many briefing notes from Mr Kalimnios because he had responsibilities for budget, enterprise bargaining, legal issues.

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Did you get any briefing note from Mr Kalimnios on the subject of the sorts of risks that the Ross report referred to?---No.

You were asked some questions by Mr Kent yesterday about your opinion about whether the decision to go live was erroneous or not and whether reasonable minds might come to a different conclusion. Do you remember that - - -?---I do.

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- - - series of questions? One of the things you spoke about was the no surprises rule?---Yes.

Would you tell me whether the consequences post go live were in fact a surprise in the context of the no surprise rule?---Absolutely.

30

Were you advised to be prepared for that surprise?---No.

What in fact were you advised?---I was advised progressively during that period that problems that were being identified were being resolved, and by the time the go live decision, which was pre Christmas, I'm told it was deferred because of reasons over Christmas, that they've got it virtually down to all the risks being mitigated and down to single amber light, and Michael's discussions with me was that his view was that the system was ready to go live.

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You were asked yesterday a question by the Commissioner, it's at page 68. The Commissioner said, "So Mr Kalimnios' hands were tied, as were yours, no doubt, because of that contractual arrangement. If there was a change CorpTech had to agree and Mr Grierson wouldn't agree. Was the next step to go to the mister and ask him to break the deadlock?" To which you replied, "I recall, Commissioner, talking to the minister about the difficulties we had with IBM at this stage"?---Yes, I should - sorry - - -

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Have you reflected upon that?---Yes, I would reflect upon that because I think I may have inappropriately given the

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response to the Commissioner that: did I go to the minister to break the - what was the word, sorry? 1

Deadlock?---To break the deadlock. My response was: I briefed the minister but it certainly wasn't - I think it might have been inferred that I was briefing the minister about how to break the deadlock. That is not correct, I was more briefing the minister around concerns that have been raised with me around the contractual arrangements with IBM that I was seeking, and he offered to take those up with Minister Schwarten. 10

You were asked questions about why you didn't get more involved in the problems with the payroll or the replacement payroll implementation program, and you spoke about areas of your expertise. Were there matters in fact that you did get personally involved in accordance with your skill sets?---Yes, many over three years. Maybe to give you some examples, I was heavily involved over a period of time in Queensland Health's response to the floods and storms and cyclones, very detailed involvement in that. I was heavily involved with Michael Kalimnios around negotiation with visiting medical officers, which had reached an impasse when I came into the agency and there was threat of them withdrawing their services so I became, with him, part of the negotiations with the VMOs. I was heavily involved around restructuring the Health department at this point of time in 07 when I first came in to remove the three zones and to collapse the 30-odd districts into what I thought was a more functional number, which still remains today. I was heavily involved in health reform matters, international health reform, and particularly given the premier's request to me I was heavily involved in working on the major capital works projects that were taking place in Queensland Health at the time, most noticeably the relocation of the children's hospital and the building of the Gold Coast and Sunshine Coast Hospital. I was heavily involved in other aspects around monitoring emergency department productivity and elective surgery productivity, because these were the subject of agreement we had with the federal government. And then I became heavily involved in management issues around particular districts where there were concerns around the nature of their management. For example, I spent a fair bit of time visiting Torres Straight, Cairns and other districts as well where there were some management concerns. So there were others but they're some which come to mind. 20 30 40

Can you summarise then why you did not get more personally involved in the payroll implementation?---I think these played to my skill sets and the request to the premier, skill set around her knowledge of Health policy and being engaged with the 80,000 staff who worked in Queensland Health, and being engaged with the CEOs who ran Queensland Health or (indistinct) delivery. The payroll 50

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issues were more of a technical nature and contractual arrangements, and like a number of other areas that I didn't get involved into that degree, that would be an area which would have taken me away from what was expected of me more so.

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Were you asked to get more personally involved in the replacement payroll implementation scheme?---No.

Mr Traves asked you whether your statement to the commission acknowledged any personal responsibility, do you remember that?---I do.

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Could the witness be shown exhibit 90, please?

COMMISSIONER: 90?

MR AMBROSE: That's your statement?---Yes.

Could you look at paragraph 3, please?---Yes.

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Your statement is made in response to a request, it raises the topics that were discussed with you at the interview. Were you asked to address any question of your responsibility in this statement?---No,

Thank you. You can hand that back. You may as well keep it with you, you may be asked some other questions about it. You were asked by Mr Traves whether Mr Kalimnios changed his attitude after your meeting concerning briefing note dated 29 August 2008. Do you remember that line of questioning?---I do.

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Could the witness be shown briefing note 29 August 2008, it's at volume 5 at 294?---Sorry, what page?

294?---Yes.

If you have a look at the background, it speaks in the first bullet point of the aging system. Do you see that? ---I do.

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At the third-last bullet point, "Queensland Health establish the QHEST program." Do you see that?---I do. 1

The last bullet point in the background, "The purpose of this brief is to outline the key issues faced by Queensland Health now that the QHIC project is facing its second major delay in eight months." Do you see that?---Yes, I do.

Then it goes on to make certain proposed actions that Queensland Health separates itself from the CorpTech driven whole of government program?---Yes. 10

Do you see that?---I do.

This was a briefing note for approval to put that into effect?---Correct.

After you sought more information and had a meeting with Mr Kalimnios you had a meeting with Mr Grierson?---Correct. 20

Is that so?---Correct.

Following that meeting with Mr Grierson, you received a briefing note for information dated 30 September 2008, I suggest to you, from Mr Peter Douglas?---Through Mr Kalimnios, yes.

Through Mr Kalimnios, but authored by Mr Douglas?---That's correct. 30

Could the witness be shown that briefing note which is at volume 6, page 195. Just keep the first one in front of you, if you would, if you don't mind?---Sorry. Page?

195?---Yes.

Your evidence was that this represented some modification of the earlier view expressed in that briefing note for approval?---That's my belief, yes. 40

If you have a look at the background of briefing note dated 30 September 2008. The first bullet-point, "Queensland Health is an ageing payroll system." It's largely the same as what you have indicated before in the earlier briefing note?---Correct.

"Queensland Health had established the QHEST program," again is identical?---Correct.

The purpose of the brief, the third bullet-point, just look at that, the purpose of this brief - - -?---Yes. 50

- - - is identical to the purpose of the earlier brief for approval?---Correct.

But this time it was for information?---Correct.

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If you go down to the current issues on the first page, the last bullet-point commencing, "Queensland Health has agreed with CorpTech to support IBM's proposed extension with one caveat." Do you see that?---I do.

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Did that agreement come about following the meeting you had with Mr Grierson?---I can only assume it had. I don't have direct knowledge of it, but given the proximity of the two briefs, I would assume that to be the case.

10

Can you comment any further then on whether, in your opinion, Mr Kalimnios' attitude changed between the first briefing note of August 2008 and 30 September 2008 in the light of this?---That would be my view. Yes.

By briefing note September 2008, it wasn't being asked, was it, that Queensland Health withdraw from the whole of government solution?---That's correct. It wasn't being recommended to me nor asked.

20

Thank you. Mr Traves asked you about - sorry, those documents can be returned and could Mr Reid be given exhibit 89 please. It's the statement of Mr Kalimnios.

If you could turn to paragraph 27. Mr Traves touched on a 9 September 2008 briefing note for information. Did you see that where it said - - -?---I do.

- - - it was sent to Mr Reid?---I do.

30

That's included as exhibit MCK9. Could I take you to the exhibits to Mr Kalimnios' statement at page 246. You'll appreciate the date is 9 September. So it's between the two briefing notes that we've previously discussed? ---Right.

Did you ever receive this briefing note dated 9 September 2008?---No.

Mr Sullivan asked you some questions about, in particular, paragraph 58 of your statement where it speaks of or where it says, "Due to the extensive number of problems," dot, dot, dot, "it was not ready to go live." Do you see that? ---I do.

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"Due to the extensive number of problems," and then you go on, "It was not ready to go live." Were you suggesting that the board did not know of any individual problems? ---Sorry, could you repeat the question?

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Were you suggesting that the board did not know of any of these individual problems?---No.

Then why did you form the view that it wasn't ready to go live?---I'd formed the view by reflection upon the consequences of it going live where a number of problems

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readily became available or readily became apparent to anyone who received a pay in Queensland Health. 1

Had you been told that there were serious risks of multiple payroll problems but that LATTICE would fail and it is still necessary to go live, what might you have done?---I would have undertaken a whole variety of steps, assuming that was the case and that was still the decision which would have probably had some government involvement in it as to - there would have been a much stronger risk mitigation strategy prior to go live whereby there would have been discussions with union staff and everyone else involved around the consequences of this and how we would try -and when changes would occur as a result of the things that might be subsequently fixed in the system, in essence, trying to manage what we scrambled to do immediately, which was to put payroll hubs in so people were paid cash pays, dramatically increasing the staff of the payroll offices; much more comprehensive briefing of CEO's, much more comprehensive briefing of unions and being able to indicate to them, "When you get your first pay, you may not get your higher duties allowance and this is how it's going to be rectified," or whatever the issue might be or if you're a casual, "We have things already for you that you're going to get paid in a cash payment because the system may not be able to pay casuals." 10 20

Managing the consequences - - -?---Prior to the date.

Thank you. 30

COMMISSIONER: Mr Flanagan?

MR FLANAGAN: I have no further questions of Mr Reid. May Mr Reid be excused?

COMMISSIONER: Mr Reid, the commission is grateful to you for your assistance?---Thank you very much.

You're free to go?---Thank you. 40

WITNESS WITHDREW

COMMISSIONER: Mr Doyle, could one of your juniors make some room for Mr Pomeranke?

MR DOYLE: Yes.

COMMISSIONER: I'll leave the choice to you. 50

MR DOYLE: Thank you.

MR SULLIVAN: Commissioner, I think there is a spot next to me.

COMMISSIONER: I'm sorry?

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MR SULLIVAN: There's a spot next to me has opened up.

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COMMISSIONER: Mr Pomeranti, you're very fortunate.

MR FLANAGAN: Mr Horton will be taking the next
two witnesses, Mr Commissioner.

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THE COMMISSIONER: Mr Horton? 1

MR HORTON: Mr Commissioner, I call Barbara Jean Perrott.

THE COMMISSIONER: Can I ask all of you gentlemen, is it realistically hopeful that we can finish the evidence of Ms Perrott and Ms Berenyi today?

MR HORTON: I will be very quick with Ms Perrott. 10

MR KENT: I would be hopeful, Commissioner. It's a lengthy statement with a lot of information and I will spend a little bit of time. That's all I can say on my behalf.

PERROTT, BARBARA JEAN affirmed:

THE COMMISSIONER: Yes, Mr Horton.

MR HORTON: You're Barbara Jean Perrott, is that correct?---Yes. 20

And I think for the purpose of giving evidence today, you have prepared a further statement. Is that correct?---Yes.

It's a statement you signed I think yesterday, 30 April, and it comprises 30 paragraphs. Is that right?---Yes.

And there's I think some annexures to it?---Yes. 30

I tender that statement, Mr Commissioner. It's perhaps best to mark it 53D, given that there are three earlier ones which are 53A to C.

THE COMMISSIONER: Very well. Exhibit 53D is Ms Perrott's fourth statement.

ADMITTED AND MARKED: "EXHIBIT 53D"

MR HORTON: Thank you. 40

Now, Ms Perrott, you were executive director of CorpTech from April 2007 to March 2009?---Yes, except that in February 2009, I was in handover mode.

I understand; to Ms Berenyi?---Yes.

Yes. As the head of CorpTech, you were also chair of the executive steering committee. Is that right?---Yes. 50

And the executive steering committee was the body responsible for performance of CorpTech as a business entity. Is that right?---It was broader than that. It had responsibility for the whole of - making recommendations and advising on the whole of government roll-out of the new systems.

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PERROTT, B.J. XN

Now, just in your oral evidence so far as my questions are concerned, I just wanted to ask you about really two topics; the first is change request 60 and 61 which I think you have mentioned in your most recent statement?---Yes.

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And the second, some of the things - some of the dealings which came afterwards - - -?---Yes.

- - - about complaints maybe about whether IBM was performing or not, and dealings you had with Mr Grierson about that?---Yes.

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I will deal first with change request 60 and 61. Could the witness please be shown volume 5. Ms Perrott, change request 60 appears at 88, page 88?---Yes.

Now, do you recall authorizing change request 60 and 61? ---Yes.

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Change request 60 was to compensate IBM for what it said was a delay experience to the program by reason of customer based issues, I think was the word - - -?---Yes.

- - - used in the change request?---Yes.

Both relate in a general sense to the integration between the HR and finance side of the new solution?---Yes. It was at a point when Queensland Health was able to articulate fully the functional requirements of the integration of the HR and finance systems and I think and from refreshing my memory, number 60 related to the change of date - the delay of the date - - -

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Yes?--- - - - and also an additional cost for doing that and number 61 was to - articulating the actual requirements.

Turn to 61, if you would. It's page 96 in the same volume?---Page - - -

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96. Do you have 96 in that volume?

THE COMMISSIONER: There are similar pages, 95, you have to look beyond those?---Yes. Yes. Got it.

MR HORTON: I'm going to ask whether under the heading Reason there, see halfway down the page?---Yes.

Reason, second paragraph, "To resolve this issue, IBM has been directed by QHIC to lead a process of redefining the solution for the integration"?---Yes.

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That was to involve some workshops. Is that right?---Yes.

Did they take place, to your knowledge?---I'm sure they did because I think I would have been told about it if I didn't and I can't remember being told that they didn't take place.

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Yes. I'm asking you because for a very long time after it, it seems, that integration remained an issue which wasn't resolved?---Yes.

Were you aware of that remaining issue after - - -?---Yes, and that was the nature of some of the complaints, that there was still outstanding issues around - the integration issue continued to be an issue.

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Yes. To sign that request, did you form a view about whether something that IBM had been responsible for in the first place or whether it was a state responsibility?---I guess if you go back to statement of work 60, you see where it outlines - there's a cut and paste of the minutes of the executive steering committee since March.

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Yes. Which statement of work are you referring to?
---Sorry, not statement of work, change request.

Change request?---Yes.

Yes; show me that, would you. Page 88 I think was the commencement of it?---Yes. So you see outlined in the first part of it where the QHIC status reports on page 88.

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Yes?---There is - since 21 March, there's discussions that had been reported at each of their steering committees that the QHIC steering committees that it was being considered and being discussed and being debated, and then if you go over to page 91 - - -

Yes?--- - - - you will see that from each of the executive steering committees since week 13 of the project dated 30 March, at each week where we had the executive steering committee, those items are described there as the - is a cut from the minutes of the ESC stating that - and each one says, "status summary, current advice from Queensland Health is that the earliest that this requirement would be available" - and so on and that's - - -

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THE COMMISSIONER: Ms Perrott, where are reading from now, please?---Page 91, week 14, 6 April.

Yes, thank you?---So that gets articulated right through then to - in this change request to week 23 of 8 June where the status summary on page 93 says it should be resolved by 13 June then to be addressed by change request 61.

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Okay, I understand. Can I take you back briefly to change request 61 on page 96. I'm sorry to flick between these?
---Yes.

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PERROTT, B.J. XN

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Now, it says under Reason in the first sentence, "During the execution of SOW8 a number of customer-based issues meant the original scope defined for the HR finance integration could not be delivered"?---Yes.

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It seems to be at odds with the assertion in 60 that there is the impossibility or there has been a problem eliciting, if you like, the business requirements from the Queensland Health?---Yes, and I suspect what happened is in the original - and I'm basing this on previous experience and knowledge during these processes but when the statement of work was first scoped that people who were scoping it, both IBM and Queensland Health, may not have fully understood the possibilities of the new system, the requirements of the integrating the two and so once things became clearer as they were processing through the project, progressing through the project, these issues started to emerge, the integration issues started to emerge, so it was time to stop and take stock and redefine.

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Good. Let me just take you back to the statement of work, if you would, which I know you have just mentioned which is in volume - the best place to see it, I think, is in volume 4, please, Ms Associate. It's at page 23, that particular page, Ms Perrott, but it's within the original statement of work 8 that I'm taking you?---23?

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23. It sets out accountabilities under SOW8. Now this is the initial version?---Yes.

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What I wanted to ask you about was in the last two tables in effect on the page. One is about scope development documentation and the other is about detailed design?
---Yes. 1

In the first integration, Legacy and other, is partly IBM's solution architect, and also QHEST ICT solution architect?

COMMISSIONER: Mr Horton, I'm sorry, where are you looking at? 10

MR HORTON: I'm sorry, the last row in the second last box, sir. The box is about scope development documentation, the left-hand side.

COMMISSIONER: Thank you.

MR HORTON: And the last row there is integration of Legacy and other?---Yes. 20

Then in the next box down called "Detailed Design", "Integration Legacy and other is an IBM solution architect accountability?---Yes. 20

Can you read it? What I'm really asking you is it seems to have emerged that either Queensland Health hadn't articulated requirements, or that the original scope defined couldn't be delivered. What I'm trying to do is work out which of those is right and how it fits in with IBM having accountability under the statement of work for doing the detailed design of the integration?---My understanding is that, and perhaps others might be better at detailing this, but my understanding is that doing the detailed design would require the customer or the agency to identify their functional requirements that would then allow the design to happen. Sorry, I'm not sure what - - - 30

The change requests seem to say different things on them. The first one, change request 60 seems to say, "QHIC hasn't told us," but the second one says, "The original design wasn't possible"?---It may be words, because my understanding through all the discussions at the executive steering committee is that through those many weeks it was reported back from Queensland Health and from IBM that they were working on - Queensland Health is working on identifying the functional requirements that would allow them, IBM, to do the detailed design. 40

Thank you. You've said, I think, you don't have any specific knowledge about whether the workshops under 61 ever occurred?---I would have had knowledge but I just can't remember specifically, but I'm sure that if they weren't occurring that my program office would have advised me of all the problems. 50

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Could I ask you to just close volume 4, you won't need that again?--With the change requests? **1**

Yes. In volume 5, please, sorry, which I want to take you back to, page 272?---Yes.

This is a letter from Mr Kalimnios in respect of which Mr Price had some input, I think, directed to you?---Yes.

And it arises ultimately from a letter which IBM had sent, which if you need to see it is back on page 230 which was a notice of delay - - -?---Yes. **10**

- - - given on 8 August directed against you?---Yes.

Mr Kalimnios says back at the letter I took you to, page 273, that the completed design - it's about two-thirds of the way down the page- - -?---Yes.

- - - under the heading "Clause 2"?---Yes. **20**

It's the larger paragraph there. Clause 2 refers to HR/financial design, and then he tells you that, "IBM hasn't completed the complete design despite this being due on 11 July 2008." You can take it from me for the minute that's the date given in change request 61 as being the date for delivery?---Yes.

Have I refreshed your memory to recall whether before this time, or about this time, you had knowledge of whether the workshops had been done and if they had whether they'd been done adequately in the state's view?---I guess the workshops would have been happening, as I said, because I would have got the advice but I don't know when they actually - I can't remember when they finished, but I know there was ongoing dissatisfaction with IBM's performance right through that time and right through the second half of 2008. There were a series of meetings and discussions both at a senior level and with Mr Grierson and us escalating issues. **30**

Can I move to that topic now, it's the second of the two topics I said I'd discuss?---Yes. **40**

In that same volume, would you go back to page 101? And this is an example, I think, of those problems being raised with you and then perhaps by you for the benefit of your senior managers?---Yes.

In this case, at page 103, a recommendation has been made that you, I think - - -?---Yes. **50**

- - - escalate within IBM to its senior management the concerns which have been articulated?---Yes.

And that a request be made, if you turn the page to 104, that IBM appoint an external partner to conduct a formal quality review?---Yes.

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To your knowledge, was that ever done?---I think this would have preceded Mr Doak's appointment, if I remember right, and I think it was Mr Doak who came in and did a six-week quality review, quality audit prior to his appointment. While I had escalated this to senior management, our concerns with the current project director, and I don't think Mr Grierson, at 8 July, I don't think Mr Grierson would have started his escalation process but I know that Mr Doak came in around that time and then he subsequently was appointed as the project director.

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And I think later on SAP and Workbrain were brought in to do some works, but perhaps that was after your time, is that right?---Yes, I can't remember.

Let me take you forward again to the time when it seems you're having direct communication with Mr Grierson about these matters?---Yes.

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In that same volume?---This minute, sorry, that we've just referred to that was escalated, I re-did it and sent it to Mr Grierson at that point.

Yes, and I think that becomes apparent, at least, from the documents I'm about to show you - - -?---Okay.

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- - - where you take up, I think, an email correspondence on some of these concerns?---Yes.

So 269, if you would please, Ms Perrott. This is an email from you to Mr Grierson copied to Ms Turbit?---Yes.

But this time, Mr Doak seems to be onboard because you mention him in the second paragraph there?---Yes.

Then in the paragraph about two-thirds the way down, "Consequently, I believe IBM is now trying to apportion some of the responsibility for the delay to the state"? ---Yes.

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To be fair, they probably have a point, you say?---Yes.

To that stage, did you form a view that there had been deficiency with the IBM side of the equation as well having regard to the briefings you had?---Yes, and those three dot points in the middle of that email, testing schedule, HR finance integration and system performance. I guess it was strongly felt in the SPO and were reporting to me, and I was forming the opinion as well that one of the causes of some of these issues is we believed that IBM had a weakness in their project management, and that was consequently

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Mr Doak - I think that's probably why they appointed Mr Doak. We also had the opinion there was a weakness in their scheduling and planning, and consequently dates kept slipping, that we believed that perhaps if there had have been better planning up front and better scheduling that we would have got better outcomes at the end, but the dates seem to keep moving and change requests were coming in fairly constantly to move the dates. At some point during that six months, we offered our own schedulers from CorpTech to provide assistance because that seemed to be a weakness and we thought we would collaborate and try and provide assistance. I guess the issues that I think were in that original email that we looked at, the briefing note talked about planning, project management, scheduling that we briefed Mr Grierson on.

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And then would you look at the paragraph beginning "Mal"? 1
---Yes.

You seem to raise a concern here that Mr Doak has raised with you about Mr Beeston?---Yes.

And Mr Doak seems to be expressing, as you say, a high level of dissatisfaction which I suggest to you is probably a nice way of saying, "He wants Beeston gone"?---Yes. 10

Is that what Mr Doak said to you?---Yes.

You communicated this on to Mr Grierson?---Yes.

Mr Grierson summoned Mr Beeston, is that right, about this? ---That's right. Mr Beeston and I, we both met with Mr Grierson.

Yes?---Yes. 20

Just very briefly, what occurred at the meeting?---I think at the time Mr Grierson was of the opinion that maybe we should give a bit; that we perhaps had been - through our program office had been riding IBM fairly hard with complaints and just general levels of dissatisfaction. However, my belief was that Mr Beeston was doing what one would expect a strong project management office to do and in fact it was a key criticism of the CorpTech model through several reviews prior to the IBM model, that CorpTech was weak in its program and project management and I was concerned that we were going to - when we were showing some strength in terms of managing the contract and identifying issues that we were being pressured by our customer to terminate what I thought was a good job. 30

What occurred in respect of John Beeston's employment? Was he - - -?---He was continued. Mr Grierson left the decision to me, which I continued Mr Beeston in the role. I guess one of the issues that I think occurred right across the program though is that there were too many people just taking their position and not trying to resolve issues and while I think that's an important role of the program office to hold the line in terms of performance, I believed it was the job of others to try and moderate and solve problems without just saying, "Well, I'm right and you're wrong," and just holding the point and I think Mr Grierson certainly had that attitude as well. 40

Could I ask the witness to be shown, please, volume 6? 50

Ms Perrott, I'm just taking you forward into September 2008 now, page 12, executive steering committee minutes?---Yes.

I'm going to ask you about the report which you made to the meeting about your meeting with Mal Grierson, director-general of public works and his responses?---Yes.

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This seems to come, does it, after - I can take you through the documents if you want, but I'm trying to avoid having to do that?---Yes. I remember.

You've raised with Mr Grierson, in particular I think on one occasion, the need to take more formal action with IBM in your words?---Yes.

10

This is a meeting at which you're reporting, it seems, what - or the outcome of a decision you've had with him. Is that correct?---Yes.

The way in which he planned to deal with the matters you'd raised was for him to meet with IBM in the US?---Well, I guess there were two or three issues there. One was the issue around the at risk payments that we were withholding and in fact that was at the recommendation of Mr Beeston because that was his job and that in fact was one of the reasons that IBM were suggesting that he be dismissed and when we met with Mr Grierson about that, Mr Grierson, I guess, felt that given the stage we were relatively new into the project at that stage that maybe using more in good faith we would release that 15 per cent or whatever it was - I think it was two lots of 15 per cent payments we were withholding - we release that, but on the basis that he stress with Mr Doak what our requirements were and our concerns were. He also said to me that he was going to escalate it through the IBM Australasia or wherever the most senior person was and also he and the minister were doing a visit to the US and he was going to meet with IBM in the US.

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Yes. Was that Minister Schwarten at the time?---Yes.

Can you turn the page please to page 13 about a third of the way down, "Barbara reported." Do you see that?---Yes.

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"Mal Grierson did not agree with the approach of serving a breach notice on IBM." Is that a correct reporting of what he told you?---Yes, at that stage and that was in line with my comments previously.

Yes.

COMMISSIONER: Mr Horton, I'm not sure I follow you. What happened to Mr Beeston?

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MR HORTON: Mr Beeston was summoned to the director-general's office - - -

COMMISSIONER: That much I have followed.

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MR HORTON: - - - in response to Mr Doak's email or Mr Doak's urging and remained in place. 1

He made a case, did he, at that meeting - - -?---Yes, he did.

- - - for his retention?---Yes. And I think it was a good case and he had documents to prove that he was doing what a good program office should be doing in terms of reporting on non-achievement of milestones and in holding the intent of the contract to heart, I guess - to the heart of the project and, you know, I think Mr Grierson heard that argument, I think, but he still thought that we were relatively new into the life of the project. We had put some investment with IBM in terms of getting the project up and running and that maybe we should all work harder at collaborating and turning it into a success. 10

Can I just take you to the last group of documents? They're in volume 8, Ms Associate. 20

Would you go to page 91, please, Ms Perrott? I want to take you to paragraph 1E which is dealing again, it seems, with the issue of integration. Is that correct?---Yes.

So in January 2009 the human resource finance integration issue has not yet been resolved?---Yes.

There's some descoping, I think, which takes place, some things which are removed from the integration which, such as it is, is under way. Is that your recollection?---I just can't remember back to the actual specifics. I remember receiving this and I remember the advice being given, but I assume that whatever needed to follow after this followed but - - - 30

Yes. I was really trying to draw your attention in particular to the words at the end of 1B about concurrent employment not being required. Do you see those words there at the end of the paragraph?---On page 91? 40

On page 91, 1B at the end of the first paragraph?---I'm sorry. Yes, yes.

Would you turn, please, to page 94? Do you recall seeing this briefing note to the director-general?---Yes.

Is it likely to have come through you?---Yes. My signature endorsement is down the bottom. 50

Yes. This offers, does it, as a way of dealing with the current tensions, that there be meetings with the premier and IBM?---Yes.

And the director-general have both those types of meetings separately?---Yes.

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Can I just take you to one more document to finish, if you would? On page 101, is this a file note of yours or one that you recognise?---It's not my writing, but I recognise the writing but I can't think whose it is. 1

Yes. Can you identify - - -?---It's somebody whose writing I know.

It seems to relate, Ms Perrott, to a document just earlier on, page 98, executive steering committee where it's said that you advised that the premier, the minister and the director-general of public works have met to discuss the proposed way forward. Were you at that meeting?---No. 10

My question is really whether that file note might relate to that meeting, but if it's not yours you won't know that?---It relates to the (indistinct) meeting and I think it's probably - it may very well be Mike Bernheim's writing. 20

It's about that time, isn't it, that a decision is made not to enter into any new statements of work with IBM under the head contract?---Yes. 20

Thank you. That's the evidence-in-chief of Ms Perrott.

COMMISSIONER: Yes, thank you. We will adjourn now until 2.30.

THE COMMISSION ADJOURNED AT 1.04 PM UNTIL 2.36 PM 30

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THE COMMISSION RESUMED AT 2.36 PM

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MR HORTON: Mr Commissioner, if I could just return to a topic I'd overlooked in respect to change request 60.

COMMISSIONER: Yes.

MR HORTON: Ms Perrott, you'll recall me asking you at the outset about change request 60 and 61?---Yes.

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Both signed on 26 June 2008?---Yes.

Mr Ekert as the Change Advisory Board chair has signed that as well and the commission has heard some evidence that they were signed at the Hilton in somewhat of a hurry and I know you've dealt with the topic in your statement?---Yes.

But how did it come about that they were dealt with in that hurry and they were signed at the Hilton Hotel?---Yes. I was conducting a CorpTech planning workshop at the conference centre at the Hilton Hotel with my senior managers and middle managers and I think I said in my statement while it says it was signed in a hurry, the signing might have been brought to me at the Hilton to sign it, which appeared as though it was in a hurry, but the issue had been, as I said, discussed since March and had been worked through since March and also the change request had been working its way through the various governments, committees, I think, since maybe 18 June or early in June, anyway. So the issue wasn't dealt with in a hurry or the putting together of the change request wasn't dealt with in a hurry and it had been through all the appropriate committees. However, the reason I think that it was brought to me in a hurry was so that it would meet an IBM payment deadline that might have been Friday of that week or something like that so it allowed the change request which was requesting the extension and the increase in payment and allowed one of the IBM payment deadlines to be met. I think that was why it was brought down to me so it met that sort of deadline.

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That was brought to you by Paul Hickey of IBM. Is that correct?---Yes, yes. However, I'm fairly sure that Chris Bird came as well from the SPO and certainly John Beeston and James Brown or - I think James was fairly new in the organisation, but John Beeston and Malcolm Campbell would have been at the planning workshop and I remember us sitting down discussing it with them briefing - me getting briefed on any residual issues.

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Yes. Mr Burns' evidence I think was a bit different from that. He said that he wished to be involved in it, but Mr Hickey had taken it off the fax machine and brought it

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to you and, in effect, to the exclusion of him?---Yes. It may have been. I'm not sure whether Mr - I know we discussed Mr Bird's name. I can't really remember whether he was there, but certainly Mr Beeston was there, who was his superior, and also at the level that the workshop that we had, Mr Campbell would have been there as well.

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Anyway, the hurry you say was to enable the IBM payment to be made?---Yes, yes.

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Thank you. Thank you, Mr Commissioner.

COMMISSIONER: Mr Kent?

MR KENT: Thank you, commissioner.

Ms Perrott, do you have your statement there?---Yes.

Can I take you, please, to paragraph 9 on page 3?---Yes.

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You refer there to your notification to Mr Doak in a letter of 2 September of the state not agreeing to a suggested extension of time being requested by IBM at that stage and that's setting out the reasons for your response. I don't need to take you to the letter. Is that the kind of incident that I think you describe in shorthand earlier on as to a point you'd been riding IBM hard, as you put it? ---Yes, yes, and there was following activity from this letter as well.

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Absolutely. You give an example in the next paragraph, paragraph 10, about some disagreement between IBM and the SPO about withholding certain payments, for example?---Yes, yes.

May I take you forward then to paragraph 12 on page 4? I think you've touched on this already, but in the second half of 2008 Mr Grierson was planning to escalate the concerns of IBM during a trip to the US?---Yes.

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Correct?---Yes.

Did you ever hear of the result or was there any result that you heard of, perhaps is another question?---My memory was the meeting happened; that they met with the senior - and I guess what Mr Grierson had said to me, he wanted to make sure that our project got some visibility at senior levels in IBM and that they were looking for some assurance that we would get, you know, the A grade staff and get some priority within the organisation. I believe that that happened, but I can't remember specifically sitting down afterwards.

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Was that a little bit of a feature of the interaction between these organisations in the sense that, for example,

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in CorpTech that if you had a very senior person such as Mr Grierson, he would be meeting with someone at an equivalent level of seniority in IBM rather than anyone lower down?---Yes. And I think it was the - my observation while I was working in that organisation that any of the consulting firms, they tended to meet with - like Mr Doak and I might meet, but if Mr Doak was meeting with Mr Grierson, there would be his more senior person - would be there as well.

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Yes. Briefly, in the next paragraph, 13, you mention that while the SPO - is that the strategic program office?
---Yes.

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Advocated that IBM's performance was nearing breach, you were also aware that the management of IBM happened within the rider government context. Is that partly because, at least at this stage still, what was being contracted for by IBM was a whole of government solution?---Yes, but I guess the point I was making there was probably in response to - I know that the staff from the SPO at times got frustrated and particularly at that point they believed that - and the advice from Mallesons at the time, too, that we were nearing a breach, pursuing a breach with IBM in terms of their performance and in listening to evidence previously, I think the SPO have made that point; that they found that frustrating and I think my role and Mr Grierson's role was perhaps to moderate while there was a firm line that it was their job to monitor performance and monitor deliverables and monitor scope. There was also a wider context and I think Mr Grierson was demonstrating that by saying that before we went down the legal path his preference was that we used escalation procedures because there was a bigger picture than just the nuts and bolts.

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I understand.

COMMISSIONER: What was the big picture?---I think by bigger picture I think I meant that Mr Grierson was of the opinion that we needed to exhaust other escalation procedures, like talking with the IBM senior staff outside of the project and trying to ensure that we got a focus on their high level resources and their best approach rather than just immediately going down the legalistic line, particularly at this stage in the process because we were at that stage seven or eight months into the project and, as I said before, there had been a huge investment made by CorpTech by the government already in terms of the payment to IBM and I think it was trying to get performance up before we wasted that investment, I think, was what I was referring to as the bigger picture.

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All right, thank you.

MR KENT: You were trying to get to a solution - - -? 1
---Yes.

- - - rather than buy into a legal fight if you could avoid it?---Yes.

Was that the approach of Mr Grierson, to your knowledge?
---Yes.

All right?---At that stage, I need to point out. 10

Yes. I understand. Can I just pass on to another topic. You deal in paragraph 14 with communications from Mr Kalimnios of Queensland Health and, as you put it, Queensland Health's

desire for a single instance of SAP Workbrain. He's stressing that although Queensland Health was willing to work in collaboration with the whole of government approach, that shouldn't be at the expense of the Queensland Health business needs?---Yes. 20

This was a bit of a theme that Mr Kalimnios, on behalf of Queensland Health, was talking about how it's going it along, as it were, correct?---Yes.

And this was something that you responded and was somewhat supportive of, but as you put it in paragraph 15, "An increase in autonomy had to be moderated by the whole of government and contractual considerations"?---Yes. 30

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Was this, to your knowledge, Mr Grierson's approach as well?---Yes, and I guess just at that time we were in the middle of transitioning from what had been agreed in 2003 as the single instance approach and a whole of government approach. In April of this year, it was becoming more and more evident as we moved into the prime contractor arrangements that we needed to move to a multiple instance approach, and that was partly because of all the agencies queuing behind Queensland Health. So in April I took a paper to the CEO committee to negotiate the triple instance model, so at this stage Mr Kalimnios knew that there was a - it had been agreed that there was a triple instance model and he was writing to me, I think, confirming that but also making it clear to me that what came with that and what was clear to me with the governance arrangements, once we went to a triple instance model we needed to modify the governance arrangements too. The central control that we had under the single instance model wasn't going to work to the same extent.

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COMMISSIONER: Ms Perrott, can you explain to me what's a triple instance model?---There would be three instances of SAP for government, so one would be for Queensland Health, one would be for the Shared Service Agency at that time that serviced the other 11 departments, and then the Department of Education and Training would have their own instance as well. Whereas what we were trying to do was get all of government onto one instance as a cost saving measure.

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Thank you.

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MR KENT: As I understand what you're saying about it, you were sympathetic to Mr Kalimnios's cause - - -?---Yes.

- - - but, again, you had this, perhaps I should say, larger picture point - - -?---Yes.

- - - that meant that it couldn't automatically be done. For example, CorpTech was still the contractor with IBM, correct?---Yes.

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All right. Thank you. May I take you, please, to paragraph 21 on page 6? You're dealing here with change requests and you describe the way in which - - -

COMMISSIONER: Mr Kent, you are changing topics. On this last topic you were discussing, Ms Perrott, in early 2009, end of 2008, there was a change in attitude and the government abandoned the whole of government Shared Services Solution and decided that IBM would just be engaged to provide the payroll solution replacement for Queensland Health. Did it occur to anyone, you or anyone you spoke to at the high levels of CorpTech that this would be a good opportunity to accept Mr Kalimnios' point and let

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Queensland Health take over its arrangement, manage its arrangement with IBM, and, if you like, remove CorpTech from its role as contract manager?---Not at just that stage - - - 1

At any time in 2009?---Well, not while - I left CorpTech in March 2009, and in the lead-up to my departure we had - in April there was a decision of government to move to the three instances in 2008, then through the latter part of 2008 we then looked at closing down the executive steering committee which was the central recommending body, and giving each of the Health, Education and the SSA their own solution steering committees and their own governance within the three, and that was headed by their project board. So we established the project board in Health I think only around January, February, just as I was leaving we established the project board in Health. So we were, I guess, moving towards giving them more autonomy and I think the next step could have been cutting them free, but I'm not sure what the decisions were after I left. 10 20

It never happened, you're aware of that now. But Mr Kalimnios had been pressing for autonomy on the part of Queensland Health to deal with IBM or, if it wanted to, another contractor if it couldn't reach satisfaction with IBM. When the whole of government constraint was removed by the decision at the end of 2008 not to go ahead with it, did no-one turn their minds to what Mr Kalimnios had proposed could or should be done?---I can't recall anyone - it was always an issue which was being discussed right from 2005, the discussion around whether or not Queensland Health, they're big enough to go on their own. In my time - - - 30

The decision was made that they be part of the whole of government solution?---Yes.

But when there was no whole of government solution did anyone think, "This might be the time that Queensland Health make its own arrangements"?---I can't recall that discussion happening specifically to move to that decision at that time. 40

MR KENT: I'm just not sure, Commissioner, if the cabinet decision was not - - -

COMMISSIONER: It wasn't made until September. It was months in the gestation.

MR KENT: Yes. 50

COMMISSIONER: Nothing seemed to have happened quickly.

MR KENT: No?---No.

Some months after Ms Perrott left.

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COMMISSIONER: Yes, I know, but the decision not to go ahead with the whole of government solution occurred at the end of 2008. 1

MR KENT: Yes, thank you. Ms Perrott, what I was going to ask you about with paragraph 21 is this about the change requests: what you described there is a process whereby the SDA and the SPO to consider each change control document, and then you described how I would progress through a series of other committees and checkpoints. To summarise, is what you're saying that all of these change requests were carefully considered and responded to by all those that were concerned with that change request?---Yeah. The issue that would be the subject of the change request would have probably started in the customer agency and would have been discussed first at probably the project board, it would have been discussed then at the change advisory board, and the change advisory board had members of Health, CorpTech, IBM, sometimes other agencies on it where they would discuss it there, make recommendations. So it did progress through that internal governance before it actually got to the SPO for then checking it against the contract and checking it, making sure that it was kosher in terms of the requirements under the contract and then coming to me for signature. So before it would come to me for signature it would have had sign offs through all that. 10 20

Thank you. You may have touched on this a moment ago, but in the next paragraph 22, you describe the fact that you'd be briefed on these things before you signed them off and you say that you ere briefed by people like Mr Beeston, James Brown and Malcolm Campbell. Can I just ask you: was your initial point of contact with the contract management people, was that James Brown?---It was both James Brown and John Beeston. I think - not "I think", I know that at the beginning of 2008 they were separate entities, and was we progressed and the model evolved I think Mr Beeston might have been reporting to Mr Brown, but usually they both briefed me on change requests because Mr Beeston was coming at it from a different perspective. Mr Brown was more about scope and, I guess, the technology where Mr Beeston was more about the contract management. 30 40

You may be aware of other evidence in this commission on this topic, I'm not sure, but, as you perceived it, were there any problems in lines of communication down to people like Mr Brown, Mr Beeston and Mr Campbell?---From - - -

Were they able to communicate freely with you?---Yes. 50

Nothing further, thank you.

THE COMMISSIONER: Thank you. Mr Traves?

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MR TRAVES: No, thank you.

THE COMMISSIONER: Mr Ambrose?

MR AMBROSE: Just dealing with your statement at paragraph 14, 15 and 16. Mr Kalimnios wanted in the first instance to - is this right, to separate Health from the whole of government solution?---That wasn't the subject of the letter that I was talking about here. He was more - so do you want me to talk about the - - -

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Yes, I'm trying to understand it?---Yes. The memo that I was talking about in this was one that Mr Kalimnios sent to me. He was confirming the decision with me, Health's concurrence with the CEO shared - the CEO governing board's decision in April and that was that we would have three instances and that Health would have its own instance of SAP so he was saying to me that he - that Health was supportive of that and also we had proposed a revised governance arrangement for that and he was agreeing at that.

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Okay, one thing at a time?---Yes.

Are we talking about this called the triple instance model?---Yes.

So he was indicating agreement with the triple instance model that affected Queensland Health?---No. Triple instance model for the whole of government, one of those instances would be for Queensland Health, another one was for Education and - yes.

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So he was supportive of a whole of government approach? ---Yes, as long - and I think he says in his letter, he is supportive of the government - whole of government approach as long as it's not at the expense of Queensland Health.

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That's right?---Yes.

Just in that last sentence on page 2, he seems to have left out the word "no"- - -?---Sorry, I'm sorry, where - - -

I beg your pardon, you haven't got that memo in front of you - - -?---Yes, I have but - - -

This is the memo - - -?---Yes.

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- - - from Mr Kalimnios?---Yes.

The last sentence - I beg your pardon, second-last sentence. "We will do everything within our power to assist the whole of government approach but this can" - and he has left out the word "no" I suggest - - -?---Yes.

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- - - "no longer be at the expense of business need." So he was supportive of the whole of government approach?
---Yes.

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Was that a change on his part as you understood it?---No. I had had longstanding contact with Mr Kalimnios and I thought that he always was - we all knew that it was a decision of government and that - I guess his support was that he was happy to be cooperative in working towards whatever the decision of government was but he put that rider on there that Queensland Health also had to be a priority within that.

10

I understand that?---Yes.

He then suggested a governance model where Queensland Health had greater autonomy?---He agreed with the governance model that I had tabled through to Mr Bradley or Mr Grierson - Mr Bradley it would have been at that stage, to the CEO governance committee and he was writing to me, telling me which option Queensland Health - we put up three options for governance and he was writing to me, telling me which model of governance Queensland Health wanted to work under.

20

Did he achieve that?---Yes, the model was that Queensland Health would have their own project board and their own change advisory - their own stream of governance committees and CorpTech would be represented on those committees as - because of our contract management role.

30

All right?---And - sorry, and the other reason that CorpTech needed to be on that committee, committees, was at that stage the service management part of CorpTech would continue to support the Queensland Health payroll system when it went live.

Yes. So Mr Kalimnios' memo to you was on 18 September 2008?---Yes.

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Where he is supportive of the whole of government approach with a caveat that Queensland Health is, if you like, not disadvantaged?---Yes.

And he was indicating to you that he preferred a particular model of governance where Queensland Health had more control?---Yes.

And correspondingly, CorpTech had less control?---Yes.

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Then as your statement goes on, you replied and in your reply, you told him that there was a possibility of a separate instance for Queensland Health which would be seriously considered?---Yes.

That's at page 259 on volume 6?---259 - I've actually got my own copy of the - - -

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Then you don't need to be shown it?---Yes.

Okay. That was on 7 October 2009?---And - yes, sorry. And I guess with this though it was - both of these letters were confirming the - a decision that was made at the CEO governing board that there would be triple instance model and that, you know, we would support trying to build more autonomy into the governance arrangement so Mr Kalimnios was writing to me, saying he agreed with that and I was writing back to him confirming that we would try - we agreed with his approach and we would try to work towards making that happen.

10

Did you ever hear thereafter of any dissatisfaction that Mr Kalimnios had with any of those decisions?---I don't know - it's hard for me answer yes to that because I think again, Mr Kalimnios was trying to work within the parameters or the decisions that government had as I was and so we had - we proposed that these were the governance arrangements, this should help us make it work. CorpTech will be represented on the committees, but then the dissatisfaction tended to raise its head every now and again and that usually was based on when the project wasn't meeting deadlines and the perception was that IBM wasn't delivering so again, that would raise - come up again, we could do better if we went on our own.

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But as a summary, if I could suggest this to you, whilst there may have been problems of the kind that you mentioned so far as you're aware, they were gradually worked through one by one?---Yes.

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Yes, thank you.

THE COMMISSIONER: Mr Sullivan?

MR SULLIVAN: No questions, thank you.

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THE COMMISSIONER: Mr Traves?

MR TRAVES: Sorry, Mr Commissioner; I wonder if by leave I might ask one or two questions just concerning that last mentioned topic.

THE COMMISSIONER: Yes, very well.

MR TRAVES: Thank you, sir.

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Ms Perrott, I just wanted to ask you some questions about the last topic that Mr Ambrose was talking to you about? ---Yes.

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Which is the position that Mr Kalimnios had adopted in respect of - can I call it (indistinct)?---Mm. 1

The evidence that you have given in response to the questions about Mr Kalimnios' attitude was it half directed to the memorandum to you from Mr Kalimnios on - I think it was - - -

THE COMMISSIONER: 18 September. 10

MR TRAVES: Thank you, Commissioner.

8 September 2008. You have been shown that memo?---Yes, 18th.

Thank you. Did that memo reflect wholly the source of your knowledge as to Mr Kalimnios' attitude or were you at the same time having less formal communications with him about it?---I would have been having conversations with Mr Kalimnios maybe on a weekly fortnightly basis. He was a member of the executive steering committee in the first part of - probably up until around September when I think that committee ceased to exist around that time. He also - I think that I may have had a phone call with him. He may have phoned me before this letter came which he was apt to do, if something was coming he would talk, ring and talk about the issue and so - I also had regular catch ups with the heads of all of all of the Shared Service arrangements, so I probably - I met with him on a - probably it was a monthly basis just to check how things were going. 20
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So it would be fair, Ms Perrott, to say that from this time onwards and, indeed, perhaps before Mr Kalimnios was consistently of the view that QH needed to take a more independent stance in respect of the achievement of its objectives?---Yes. 1

But you spoke of him writing this memorandum in the context of a decision at a higher level which had been made?---Yes.

So is it fair then to say that Mr Kalimnios was agitating from this memorandum for a more independent position for QH, bearing in mind the context that by then there had been made a decision that QH would not formally break free of the arrangements but would instead effectively have to work within them?---Yes. 10

Did Mr Kalimnios then in 2009 and during the course of 2009 from time to time, from your knowledge, express continuing dissatisfaction with the necessity of QH to work within that arrangement?---Yes. I think the last meeting of the project board that I went to prior to my moving on, Mr Kalimnios showed a high level of frustration to Mr Doak that Queensland Health weren't getting what they had been promised. So I think while he was prepared - my experience with Mr Kalimnios was while he was prepared to try and make it work, he was getting to a point of frustration in February, March that he wasn't getting what he had hoped he was going to get. 20

You've probably already said, was that about when your last meeting on the board was - - -?---Yes. February, March - February, I think it was. 30

I know it's hard to generalise and if you can't do so, please don't, but is it fair to say that to your experience, Mr Kalimnios actively to the best of his ability and effectively promoted the interests of Queensland Health within the arrangement?---Yes, yes.

Yes. Thank you. 40

COMMISSIONER: Mr Pomerrenke?

MR POMERENKE: No questions. Thank you.

COMMISSIONER: Mr Doyle?

MR DOYLE: Thank you.

Ms Perrott, I'm going to ask you about some things that go beyond merely the LATTICE replacement because in your role at CorpTech you were looking not simply at the QHIC project, but the whole of government project?---Yes. 50

That's so, isn't it?---Yes.

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But I'm essentially going to focus on the LATTICE replacement, if I may. The core initiating statement of work for the LATTICE replacement system was statement of work 7. You know, don't you, that IBM commenced conducting workshops and interviews and things necessary to perform statement of work 7 even before the contract was signed?---Yes.

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COMMISSIONER: Even before?

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MR DOYLE: The contract was signed.

That was in order to achieve a deliverable date of the scope definition of 24 December?---Yes.

The contract had contemplated a schedule which showed work starting on 1 November, but of course the contract itself wasn't signed for some six weeks later or five weeks later? ---Yes. I might add, while I'm aware of that, I was actually on leave from about the middle of November until towards the end of January, so a lot of that work was going on while I was on leave.

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But you're aware that it was going on?---Was going on. Yes.

And you saw the product of that work - - -?---Yes.

- - - in the scope definition document?---Yes.

30

Very good. I take it you read it when it came in, the scope definition document?---Yes.

And you've been shown, I think, part of it today?---Yes.

If you haven't, I will?---Yes.

I'm going to take you to it again in a minute, anyway? ---Yes.

40

In your statement you deal with the process for change requests and I'm not going to go through that again. There were a lot of them, weren't there?---Mm.

I think the last one that you signed is number 177?---Yes.

Does that sound about right?---Yes.

So that that's in a period of - if we take it roughly - the last one you signed, I think, is in December 08?---Yes. That was that sequence of change requests that were happening through December, January.

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There was a few at the end, but the last one numerically that you signed was change request 177?---Yes.

And some of them, of course, are change requests that give effect to statements of work being delivered?---Yes. 1

But many of them are change requests to statements of work or to scope or the timing and those sorts of things?---Yes.

It represents roughly one every second day throughout the year that you were involved in the project?---Okay.

Which is a lot, isn't it, of changes - - -?---Yes. 10

- - - for a contractor to deal with and for a supervisor of a contractor to deal with?---Yes.

Thank you. Can you go to volume 4 please. I want you to turn first please to page 63 just to see the start of that document called a Fixed Scope Definition?---Yes.

On that page I see it's on letterhead which describes it as program 42. What does that mean?---That was the name that IBM called the project, program 42. 20

Which project, the LATTICE one or the whole of government or can't you recall? It doesn't matter if you can't?---I suspect - I remember the discussion about calling it that and I think really the only focus that work that was going on at that point was the scoping in the Department of Education and Training and also the work in the Queensland Health, so they were the only two that it really applied to at that point, I think. 30

Okay. Never mind?---Yes.

It's clear this is a document that relates to the Queensland Health component of the LATTICE replacement? ---Yes.

You were taken to this before because an issue arose in respect of the scope of the LATTICE replacement activity concerning the integration between HR and finance? ---Finance. 40

Would you turn please to page 128 of the volume?---Yes.

It's preceded, if you need to go to it, by the heading at page 126 which is called Interface Scope?---Okay. Yes.

And then a diagram which someone else has told us about and then this text, which I'm going to take you to, and followed by another diagram which someone else has talked about, but it's essentially the text I want to talk to you about. You'll see at about point 3 of the page the words, "The following approaches have been used to scope the integration components"?---Yes. 50

Do you see that? Then if you go down to the last dot point and read it to yourself and then I'll ask you some things about it?---Starting with, "Given the complexity." 1

"Given the complexity," yes. Tell me if you can help me with this. It's clear from this that the replacement - I'm sorry, you understand that the MAN series applications refer to a whole series of things within the finance section which have the suffix or prefix MAN?---Okay. 10

Like PAYMAN and other MAN - - -?---I didn't realise that, but, okay, yes. I know PAYMAN though.

That will do. You've heard of that?---Yes.

It's clear that the replacement of those MAN series applications was not part of what IBM was to do?---Mm'hm.

Yes? You understood that at the time when you read this document that - are you agreeing with me? You did understand that?---Yes. Yes. 20

Thank you. Where integration with the MAN series is in scope, and it tells us that will be shown somewhere in this document, a custom integration component will be specified and developed and you understood that to mean by IBM? ---Yes.

But then it goes on to say, "That would be based upon existing interface details supplied by," Queensland Health that means, doesn't it?---Yes. 30

So they had to give something to IBM in order to do that task?---Yes.

You knew that when you read this document?---Yes.

And then further it says:

Queensland Health will be responsible for the identification, development, testing and implementation and training of all changes required to FAMMIS, DSS and the MAN series applications as a result of the IBM custom implementation? 40

---Yes.

So you understood that the capacity of the HR to communicate with or integrate with PAYMAN was going to be a custom designed by IBM - - -?---Yes. 50

- - - relying upon information to be given to it by Queensland Health?---Yes.

But how that custom integrated thing worked with the balance of finance was something that Queensland Health had to develop, test and do. That's as you understood it when you read this document?---Yeah.

1

Did you understand that when you read this document or am I telling you things perhaps you hadn't appreciated?---No, you've brought it back into my head that, that was my understanding at the time.

10

Very good. Whilst we need not, I think, go to the detail, you understood that there was delay, to put it neutrally, in the provision by Queensland Health of the things which it had to give IBM in order for IBM to design the integration component that it was going to do?---Yes.

And that was the subject of comment and complaint really by IBM?---Yes.

It later emerged there was real doubt about whether Queensland Health could, itself, do what this contemplated it would do for the identification, the development testing, implementation and training of all changes to the other systems that are identified there?---Okay.

20

Do you recall that?---At what point? Would that be post change request 60 and 61?

Let's say at least up to change request 60 and 61?---Yeah.

30

You understood - - -?---Yes.

- - - those two aspects, that is, the delay in the provision of information to IBM - - -?---Yes.

- - - and also some hesitation, can I put it that way, about Queensland Health's ability to perform the things which this contemplated it would do?---Yes.

And you knew that was the subject of exchanges and reports to, ultimately, you?---Yes, and to the executive steering committee meetings. Yes.

40

Very good. Can I take you, again, to change request 60, volume 5, at page 88. Ultimately, Ms Perrott, you sign this approving it and indeed you signed 61?---Yes.

They had been under discussion and consideration by QHIC, that is, by you and others, long before this document was produced?---Yes.

50

Indeed, this document is dated or drafted by Mr Hickey on 18 June 2008, but even before that the issues which are dealt with in this document had been under discussion? ---Yes.

Can I take you to page 88, under the heading "Reasons", "During the execution of statement of work 8, a number of customer based issues have affected IBM's ability to deliver" et cetera. I think you were taken to that by Mr Horton?---Yes.

1

The customer there is a reference to Queensland Health not CorpTech, is that as it should be understood?---Yes.

I'll ask it differently. Who is the customer that's referred to there? It's either Queensland Health or it's CorpTech?---Yes, it's Queensland Health.

10

All right?---But CorpTech were part of the discussion as well of that level of detail.

Of course. If we go down to the status reports, and I won't take you to all of them, you see the first one referred to on page 88, is it 24 or 21 March?---21st.

20

Considerable delays have been experience due to internal design issues needing to be resolved at Queensland Health. The QHIC team has received assurances that these issues will be resolved this week.

---Yes.

By 21 March, already considerable delays have been experienced and an assurance had been given it will be resolved by 28 March. Is that as we should understand it? ---Yes.

30

If you go to the next meeting, that is, the next entry, it's practically the same entry?---Yes.

So it hadn't been resolved and another assurance had to be completed within a week?---Yes.

If you go to the next one, that's 4 April, just read, I suppose, the first half of it to yourself where it concludes "has yet to be agreed with Queensland Health but now appears the requirements will not be available until 14 April." Do you see that?---Yes.

40

That's consistent with your recollection that there was suggestions things could be done next week but in fact it was never able to be done and that dragged on for some weeks?---Yes.

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Many weeks?---Yes, and while I personally wouldn't have been at these QHIC meetings but my representatives were, it was also discussed at the executive steering committee.

Perhaps I will dwell on the process of approving these things?---Yes.

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You told us in your last statement of the various levels of review that such a document would go through before it was approved?---Yes. 1

It would be approved by many people who would know the facts, which I've set out in this document - - -?---Yes.

- - - because either they wrote the document or the attended the various meetings which are referred to in it"?---Yes. 10

The purpose of them reviewing it was to correct them if they were wrong - - -?---Yes.

- - - and to make reports about why they're wrong?---Yes.

And to ultimately have technical expertise to make judgements about the technical aspects of the changes which were proposed?---Yes, and that was very much part of the hierarchy of governance, that appropriate people were at appropriate levels. 20

So that you could feel confident by the time it came to you for signing, no doubt you'd speak to people, but you can feel confident that the facts set out were correct, yes? ---Yes.

That someone had checked that the technical requirements which are articulated as giving rise to the change request had been checked?---Yes. 30

That if it was identified as a departure from the scope which had previously been agreed, that had been checked? ---Yes.

And that had all been approved before it came to you to be signed?---Yes, and I guess, for example, page 94 of this, it would articulate who had been consulted with at the various levels, like, whether it be the position of the committee and the role of the SPO also and the SDA within CorpTech was also to give assurance to me that those proper checks had happened. 40

All right. Just bear with me, please. Back to page 88. On 11 April, it's reported again that a status reported it as red, that means it's the most serious kind of delay, I take it?---Yes.

And we can read what's said there, and it says in the second sentence, "It remains unclear when this issue will be resolved." Do you recall at about the middle of April it had gone from it being said that, "Something could happen next week," to now being said, "We can't really say when it will happen"?---Yes. 50

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And that's your recollection. I'll skip ahead. Go to page 89, to 2 May. It's still reported as red, that is, the status is red. I'd like you to read the second paragraph, the

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one that commences, "The IBM project team". It refers to a number of workshops planned?---Yes.

I think Mr Horton asked you, I think, about those - - -? ---Yes.

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- - - and your expectation is they would have been held? ---Yes.

And then if you just read to yourself the 9 May entry, there's again to be some more workshops and things to occur which you expect did occur?---Yeah.

Thank you. Underneath that there's something called "Issue" and a number, including detail status updates. Do you see that?---Yes.

20

Then a description, "Issue: the QHIC functional team have been unable to obtain complete business requirements for the interfaces between SAP and PAYMAN and DSS applications"?---Yes.

What's this section of this change request referring to? ---From memory, that would relate back to the QHIC - the governance within QHIC and it's describing, I guess, in more detail why some of these delays would have been reported at these high level meetings.

30

One of the things that you would have appreciated when you were reading this was that there was an incapacity to obtain complete business requirements?---Yes.

Which is something that Queensland Health would have and have to provide to IBM?---Well, that was the work that was going on from 14 March.

40

Thank you. If you turn to page 91, is the format of the document that, now, there appears some extracts from the executive steering committee's discussion of these things? ---I think this would be extracted from the report that would have been provided to the executive steering committee and that bar would have been taken out of each report.

So it's just really a cut and paste?---Yes.

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Just dealing with the second one, that's week 14, it recites, "Delays in Queensland Health providing PAYMAN interface requirements, major threat to the QHIC schedule," is something that would have been discussed at the steering committee level meeting, and the detail of that table would be extracted from that discussion in the steering committee meeting?---Yes, so it provided a context for the change request.

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Very good. The status summary is one I think you were taken to which generally refers to Queensland Health having to do something?---Yes.

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Thank you. If you go to page 92 now to 19?---Yes.

Again, this is an extract from the executive summary?---Yes.

Provide schedule prepared with new go live date of 18 November, schedule dependent on Queensland Health delivering - something - HRFI integration work as planned?

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---Yes.

This is currently progressing to schedule. Schedule has little or no contingency and a risk assessment of being developed to identify threats to successful delivery.

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Now, you would agree with me that one thing is clear; that the 18 November go live was one which was said to be dependent upon Queensland Health doing something and doing something at a time they promised they would do it with little or no contingency?---Yes. I'm just - because this was 11 May and the change request wasn't signed until the end of June, I'm not sure whether that is saying that the actual date - whether what they are saying here is this date of 18 November is - that would be in the change request was dependent on Queensland Health delivering deliverables between 11 May and 28 June. I'm not sure.

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No. Or perhaps delivering them in accordance with the schedule that might accompany change request 60?---Yes. Yes.

Whatever it is, it was dependent upon the timely performance by Queensland Health of something?---Yes.

And a recognition that the steering committee level that 18 November was a time which was dependent upon that occurring?---Yes, but what I'm - yes, but what I'm saying, I guess, is when Queensland Health was supposed to deliver it isn't clear to me from reading that.

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Can you tell me, please; when was it to do so? Can you not recall?---Well, I'm not sure from just reading this whether that is saying that they were supposed to deliver - Queensland Health was supposed to deliver something before the change request was signed or as a part of the ongoing process after July.

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All right. We will come to something about that in a moment?---Mm'hm.

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Perhaps we don't need to go to it but 61 is the companion to 60, the sort of explanation of the reasons which we find in 60 - - -?---Yes.

- - - are the same, explain why we have both 60 and 61. Is that right?---Yes. They were just about two different things. One was about the price at the time and the other - 60 and 61 I think provided more definition around the scope.

20

All right. Would you go to page 96 then, please?---That's from memory.

No, you're pretty good. I'll take you to 61 and I will show you?---So 96, yes.

Yes. That's change request 61, drafted the same day, signed by you on the same day?---Yes.

And had been the subject of examination and discussion in the preceding months. Would that be right?---Yes.

30

The reasons identify again the same sort of statement during the execution of statement of work 8, a number of customer-based issues et cetera. That's the same really as the 60?---Yes.

These issues primarily relate to Queensland Health's ability to deliver the required changes to the legacy environment. Do you understand the legacy environment is a reference to FAMMIS, ESS and the MAN series?---The MAN, yes.

40

Yes. Which is the thing that I suggested to you they had to do under the scope document that we first looked at?---Yes.

So that it is right to say that reading the reasons in 60 and what I have taken you to so far in 61, we have been able to see the two things which the scope document contemplated, that is Health would give some information to IBM, and secondly that Health would do something with its legacy system?---Yes.

50

It had been the subject of analysis and it was thought Queensland Health had been slow in providing information and there is question about their capacity to do the second of events, the legacy adjustments?---Yes. 1

Okay. If we go back to the reasons, "To resolve this issue, IBM has been directed by the steering committee to lead a process of redefining the solution for QHIC HR finance integration. To date, significant work has been completed in this area by IBM" - sorry, is that "in a good" or "on a good faith basis"?---Yes, on a good faith basis. 10

So that IBM again started - would it be right to say, doing work to overcome that thing which was under the scope document a function of Queensland Health before receiving the approval of this change request?---Yes.

They didn't have to do that, you accept?---Yes.

This work was included, development of a high level of solution concept and so on, and then there are some scope changes. Is that the right way to describe it?---Yes. 20

If you turn the page - I'm sorry, perhaps no. At the bottom of page 96, "Queensland Health will be responsible for and provide the resources associated with the legacy environment which include" - and you can read a series of things of greater and lesser importance?---Yes.

And if you turn across the page, the third dot point is, "Design, build and unit test of legacy development, FAMMIS, DSS, IMS and T2." Can you see that?---Yes. 30

Then there are some assumptions. Now, these were assumptions which were examined, considered and recommended to be approved and ultimately approved by you and one of those assumptions is that all activities can be completed by both parties in the expected time frame?---Yes.

Now, at the very least, you would have appreciated when this was signed, IBM was saying to you its capacity to do in the time that this change request contemplated it to do what it had to do - - -?---Yes. 40

- - - was subject to an assumption?---Yes.

And one of the things which was being assumed is that Queensland Health would cooperate in a timely way with providing the information IBM required?---Yes. 50

And indeed the same with CorpTech, that it would cooperate in a timely way?---Yes.

Thank you?---I think there was an expectation that all the parties would cooperate in a timely way.

I understand?---Yes.

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Thank you. Now, I want to take you to - I want to ask you some thing about things that were occurring around the same time. Did you attend the steering committee meeting for the week of 25 July - sorry, week 27 which is 6 July 08?---Which steering committee, sorry?

I knew you would ask that. The executive steering committee?---I assume I chaired the meetings and I assume I would have - if it was the executive steering committee, I would have been there.

10

Well, we can see if we can - - -?---I don't know the exact date, is the problem, yes.

I will try and prompt your memory. At the meeting, it was reported in relation to the QHIC project that a number of critical path activities were underway in the HR finance integration?---Yes.

20

And for that to proceed in a timely way, a clear agreement on the concept on a minimum requirement for HR finance integration had to be achieved between IBM and Queensland Health. Yes? Do you recall that being discussed?---I don't recall that detail.

Do you recall that by 6 July, IBM had in fact proposed a minimum requirement for the HR finance integration solution based upon a standard SAP posting document approach. Do you recall that?---No, I don't.

30

Thank you. Even at that stage it was recognized that some delays were being experienced due to changes in the scope or the requirements of Queensland Health were identified. Do you recall that?---I know during that period probably the next - probably for the remainder of the year there was debate going on around scope and who was responsible, whether it was in face a scope change or something that IBM should have been doing or something that Queensland Health should have been doing.

40

I don't want to sound unkind - - -?---Yes.

- - - but it would say there's debate but in fact you know that Queensland Health had to produce a business attributes document?---Yes.

And that necessary for the performance of IBM of its task?---Yes.

50

And you know that it hadn't finalised that document until September?---Okay. 1

Do you know that? I'll withdraw that. They may not have finalised it by September, but they were still amending it in September?---In September. Yes, okay.

Is that more palatable to you?---Because I guess the reason we signed off on this change request was that we believed there was a level of finalisation and then, I guess, new things started emerging as we were going through the next few months. 10

That might be saying the same thing?---Yes.

Even though the change request had been signed, Queensland Health had continued to develop the documentation which identified its requirements through a series of iterations of the business attributes document?---Yes. 20

Do you recall that?---Yes.

Sorry. And other documents?---Yes.

And also there was a dispute which had emerged, I think as early as the middle of July, about whether the HRFI integration was itself to be a minimum functional solution or a complete solution simulating the whole of government roll-out. Do you recall that?---Yes. 30

Very early on it emerged that Queensland Health had taken the view they were going to get - or they were after, at least - a completely automated, wholly functional mini whole of government system?---Yes.

That's what they wanted, anyway?---Yes.

They kept producing documents iteration after iteration identifying that degree of functionality, whereas the competing view, which was the IBM view, was that the LATTICE replacement was to be an interim - - -?---Interim. 40

- - - minimum function or solution. That's true, isn't it? ---That level of detail of discussion probably was happening at a level that I wasn't - in meetings at the levels that I wasn't at. My staff would have been - my technical staff would have been in those levels of change advisory boards or steering committees that I probably - by the time it got to the ESC, it probably wasn't in that level of detail. 50

All right. Nonetheless, without knowing the minutiae of it, you were - - -?---Yes.

- - - aware of the scope desire of Queensland Health - - -? ---Yes.

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- - - being a fully functional or wholly automated mini whole of government system?---Yes. 1

And the competing view being that the contractual obligation was something less than that?---Yes. And I think that the other pressure that would have been coming at that time was, I think, we as the government's representatives, still hoping that a lot of what was being done in Queensland Health would be reusable in the other instances; that would be used across government and I think it was probably through going through that process that we came to understand that Queensland Health's project was a LATTICE replacement and that part of what the SDA was doing was, I guess, keeping a watchful eye for what parts of that LATTICE replacement could be reused in the other instances. In fact, there was what we call Agree Use Advisory Committee that - something to that effect - reused committee, anyway, that was set up to have discussions around whether some of what was being done there could be reused and our expectation at that time was through the implementation of SAP that we would have a high degree of automation. 10 20

You said a number of things there that I want to take you to, but one of them is that there was really a recognition that what Queensland Health was after was more than an interim solution, but that it was consideration of whether by effectively asking for it and paying for it now, you would be able to save some money on doing it as part of the whole of government roll-out at some later stage?---And that's where the whole contract started from that it was to be a whole of government - we were looking at a whole of government solution, but that we wanted to focus on Queensland Health because of the urgency first. 30

I understand?---Yes.

But the focus I'm really suggesting to you which the contract contemplates was of a minimal functional solution?---Yes. 40

And it soon emerged - - -?---For Queensland Health.

Yes. For Queensland Health?---Yes, yes.

It soon emerged that, right or wrong, Queensland Health wanted, probably rightly, something which was more than a minimum financial solution?---Yes, yes. And that had been the expectation since 2005, yes. 50

A Queensland Health expectation?---The whole of government expectation.

In terms of meetings that you attended, I want to try a couple more. I'm suggesting for the executive steering committee meeting for week 28, which is 13 July, it was

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identified or discussed that there was a risk to the work stream proceeding for QHIC because the interim solution design document had been delivered by IBM and that the QHEST team had delivered a bad

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document, but there were still issues to be discussed and it was hoped that agreement on outstanding issues could be reached in a few days. Do you recall that kind of thing being discussed in July - - -?---Yes

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- - - at a meeting which you attended?---Yes.

The following week, that is the week of the - the meeting was on 20 July - it emerged pretty clearly that the difference between Queensland Health and IBM was one I just put to you that IBM had presented a minimum functional solution and Queensland Health wanted to have something much more than that, do you recall that coming out of it, at a meeting that you attended on 20 July?---I can't remember, I'm sorry.

20

But it's consistent with generally what you recall?---Yes.

All right, thank you. This agreement about - or can I put it differently. That different perspective of those two parties, IBM and Queensland Health, persisted into meetings over the next few weeks?---Yes.

Indeed, would it be fair to say persisted for some months and was part of what was ultimately solved in the very comprehensive change request 184 which was entered into, I think, after you may have ceased to be at the department? ---Yes.

30

So the extent to which IBM was required to deliver something about HR financial integration, it wasn't in fact to your knowledge put to bed by change request 60 and 61, but rather as part of the ultimate wash up in 184?---Yes. I think, yes.

40

All right?---I should say, I've never seen 184.

I'm going to show it to you, Ms Perrott?---Okay.

We'll give you that in a moment. Can I just ask you this: quite apart from that topic, you know that there were a multitude of other change requests affecting the performance of the LATTICE replacement job?---Yes.

At a steering committee meeting on 8 August, I want to suggest to you, that there was a discussion about the change requests which were then current or being forecast to occur. That's the kind of thing that was discussed at each steering committee?---Steering committee. Yes.

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And I'll try my luck with reading some of these and you tell me if it's consistent with your recollection of things being discussed in early August 2008. Change request 73 which had something to do with concurrent employment. Do you recall that being the subject of a - - -?---It would have been. Yes.

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- - - change request discussion in August? What ultimately became change request 94, about leave paid in advance? ---Yes. That was another issue.

10

Change request 96, leave loading calculation?---Yes.

Addition to employment status, change request form, which was change request 98, something about cross-functional applications?---Yes.

Change request 99. Something about the Workbrain manual forms, change request 100?---Yes.

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It's IS18 security compliance change request 103?---Mm'hm.

COMMISSIONER: What was IS? What does that stand for? Do you know?---It might have been - - -

I have seen it, but I have forgotten what it is?---That was a term within Queensland Health.

MR DOYLE: Might it be interim solution?---Interim solution. Yes.

30

And so on. There were many others?---Yes.

Including, you'll recall, the discussion of the then proposed business attributes document version 7. This is in early August 2008. People were talking about the need to have that?---Yes.

In fact, it was ultimately produced, can I suggest to you, on 4 September?---Yes.

40

That's consistent with your recollection?---Yes.

I hadn't finished. There's additional security work group for Workbrain which became change request 104 or was change request 104. Offender Health Services, 114?---Yes.

"Zero value transaction payslips, 115, system control for ad hoc payments process, 116 and long service leave." We hadn't got to giving it a number yet?---Yes, okay.

50

All of those things were being discussed in the first week of August 2008 - - -?---Yes. 1

- - - in your recollection? Thank you. And they were still being discussed on 15 August, that is, the meeting the following week?---Yes.

You wrote a letter on 15 August 2008 responding to a delay notice that IBM gave CorpTech?---Yes. 10

Identifying things which it said had contributed to the likelihood that 18 November date could not be achieved? ---Yes.

And that was dismissed, in your response you said no, essentially?---Yes.

But you know now, don't you, that even after change request 60 and 61 the continuing failure of Queensland Health to provide the business attributes document in its final form, the continuing failure by it to provide its requirements for the HR financial integration interface, and the raft of other things which we've just been to - - -?---Yes. 20

- - - which were still live issues are factors which would justify IBM saying the 18 November go live date can't be achieved?---Yes, however, I think the issue that we were raising at the time was the inability of IBM to actually schedule them and lock down a definite date. The date just kept moving and moving. 30

I'm sorry, I don't want to stop you, can we just test the date kept moving?---Yes.

The contract itself came in a spreadsheet?---Yes.

I think it's described as an "indicative time line - - -"? ---Yes.

- - - which assumed work would start on 1 November, and that the go live for LATTICE on 31 July, I think?---Yes. 40

The contract wasn't signed on 1 November?---Yes.

The statement of work 8, when it was initially the subject of a change request, bringing it into existence contemplated as a date, an indicative date at the end of September 2008, didn't it?---Yes.

But since that was done there had been many, many change requests which you had approved extending the work which IBM had to do under the contract?---Not all the change requests - - - 50

No, not all of them?--- - - - would have extended. Yes.

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There were many that were signed, some of which extended to scope of work they had to do?---Yes. 1

Others of which, on their face, were attributable to delay as a result of failures by Queensland Health?---Yes.

There are a number of those, you'd accept?---Yes.

So the September date which your letter suggests is a failure by IBM to do something is equally explicable by the failure of Queensland Health to do things - - -?---Yes. 10

- - - and by the additional scope which Queensland Health were seeking to extract from IBM?---Yes.

So that it would be, would you accept, a gross injustice to suggest that IBM was wrong in not able to achieve a September 2008 delivery date, without taking into account the additional burdens that were imposed upon them by the changes of scope and the delays which were imposed on them?---Yes. 20

All right?---And it was at that time, it was for that very reason that I suggested to the director general, Mr Grierson and also to Michael Kalimnios and to Bill Doak, that we get the parties together to get on the table for all the senior staff what the actual issues were and the points of disagreement and try to move the way forward.

I thank you for that. Even if we then look at the November date, the 18 November date - - -?---Yes. 30

- - - that emerges from change request 61?---Yes.

Which expressly articulates the assumption which I took you to?---Yes.

And you know that after that date Queensland Health continued to fail to provide in a timely way the information IBM required?---Yes. 40

Again, IBM was right to say, "That date is one we've not promised because it was expressly on the basis of an assumption which the government was told about"?---Yes.

It was dependent upon Queensland Health doing things which they did not do?---Yes.

In fact, you should have been, can I suggest to you, suggesting there be an extension of time and doing something to ensure that Queensland Health was complying? ---Yes. 50

Thank you. So that when Mr Doak gives his delay notice to you, it is right to say there are things - an he accepts,

you'll recall from the delay notice, one of them is something to do with IBM's testing equipment?---Yes.

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But it's right to say that there are things which have occurred which are outside IBM's capacity to influence which mean that 18 November date can no longer be achieved?---I agree with what you're saying, however, part of our expectation of the prime contractor is they would have had ways of managing that differently. That had been a recurring theme right throughout - since 2005, trying to get a marrying of agencies, expectations and requirements with the systems implementor and whether that had been CorpTech previously, and I guess part of what we hoped we'd achieve from the prime contractor was that they would be better able to manage those sorts of negotiations themselves.

10

I'll take you up on that as well. The fact that it was difficult to have agencies cooperate fully in a timely way was well known?---Yes.

20

You'd experienced it within CorpTech, your predecessor had experienced it within CorpTech?---Yes, and in my previous role as well.

And in your previous role?---Yes.

And you know that the requirement for full cooperation in a timely way was articulated by IBM as an assumption - - - ? ---Yes.

30

- - - when it put in its tender, because it too knew how important it was to have the cooperation of the agencies? ---Yes.

It articulated that it required that cooperation for the very reason we are now addressing, because its capacity to perform its job in a timely way was dependent upon the performance by agencies of what they had to do efficiently and timely?---Yes.

40

One of the things which CorpTech was there to do was to ensure that was achieved?---Yes.

So far I've just been focusing on the LATTICE replacement system, but you know that in parallel there were also changes being affected to other activities under the contract? Change requests which were affecting IBM doing other things, including one which affected detail?---Yes.

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Under the contract there was to be a whole government solution rolled out to agencies over time with particular treatment for Queensland Health in respect of the LATTICE replacement because it was selectively urgent?---Urgent.

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There came a time when DETA said it wanted to be given an accelerated solution?---Yes. **1**

And to was given an accelerated solution by statements of works 11 and 13 and perhaps some others?---Yes.

They were brought about by change requests?---Yes.

It would have come through the same process that we've talked about?---Yes. **10**

It would have been approved by you and would have imposed upon IBM additional obligations?---Yes.

Additional costs and additional time, presumably?
---Additional cost but (indistinct)

Apart from that, you know there are other change requests, which I won't take you to, affecting other activities that it was doing?---Yes, and there were change requests around staffing of the IBM resources and things like that as well. **20**

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All right. Just excuse me. I might ask you about some of these now. Change request 73 was in respect of something called Concurrent Employment. You know that? I'll show you it if that helps?---It probably would help if I could see that. Yes.

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Volume 6, page 32, I think. Can you tell me if - you may not have seen that document before, but can you tell me if you have?---Look, I didn't sign this one. James Brown, I think, signed it on my behalf, but I was aware of the concurrent employment issue.

10

Can I remind you - I mean, you know it was under discussion for months ahead of it ultimately being agreed?---Mm.

It ultimately causes or leads to an additional payment of some \$414,000 to IBM - - -?---Yes, I - - -

- - - because it was identified as introducing additional functional requirement that it had to meet?---Yes.

20

I won't trouble you with that. You'll recall that the original scope document - sorry, scope of work 8, identified a series of issues which were identified as open?---Mm.

COMMISSIONER: As what?

MR DOYLE: Open.

30

And expressly said that IBM could implement change requests in respect of the filling of the openings, if you don't put it - - -?---Yes.

When those issues were identified and the detail which Queensland Health decided what was to be done with them, IBM could raise a change request in respect of?---Yes.

This was one of them?---Yes. And that would have been obviously an increase in price as well so there would have been some expectation that was okay.

40

Thank you. Next, are you familiar with number 87, which is in volume 5, which you've probably still got with you at page 83. Do you have that?---Yes.

If you would turn to page 87 you've signed that one?---Yes.

Okay. If you turn back to page 83 to the description or the reason for it, it says, "As per the request from CorpTech, the following resources have now been transferred to IBM resources," and there's a series of people, I suppose they're described as?---Yes.

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Yes?---Yes.

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So that was CorpTech asking IBM to provide resources that previously CorpTech was to provide?---Yes.

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Thank you.

COMMISSIONER: Is that what that means? I read that as saying that CorpTech people would be transferred to IBM. Is that not right?

MR DOYLE: No. I'm sorry. I'll ask the witness.

10

This led to an additional payment to IBM of D464,000 - - -? ---Yes.

- - - because people that otherwise CorpTech was to provide to do something, it had asked IBM to provide to do?---Yes.

Is that - - -?---I remember that issue. I can't remember why that happened.

20

Never mind. I'm going to ask you just about a few big ones, if you don't mind, dollar big ones I mean, not anything else?---Yes.

99 was in volume - that is change request 99 was in volume 7 at page 69?---Yes.

If you turn to page 73 you'll see you signed that one? ---Yes.

30

This is approving an additional payment of \$724,000-odd to IBM?---Yes. The amount I can't - - -

Take it from me that's what it is?---Yes. That is - - -

Just bear with me. That's to do with the XFA, that is the cross-functional application issue we mentioned earlier on? ---Yes.

So this, too, was something that had been under discussion for months, including in the period that we've been talking about of July, August?---Yes.

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You can recall, can't you, the QHIC scope document expressly provided that any change resulting in relation to this topic would be identified as being out of scope and would be subject to a change request?---A change request, yes.

Mr Commissioner, for your reference, that's volume 4, page 151, clause 6.8.

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COMMISSIONER: Could I have that again please.

MR DOYLE: Volume 4.

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COMMISSIONER: Yes.

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MR DOYLE: Page 151, clause 6.8. That's in the QHIC scope document.

I'll pass over 60 and 61 which led to the additional payment and then there's a whole series of issues you knew which we touched upon which were caught up in 184?---Yes.

Which was ultimately concluded after you left. In terms of the process pursuant to which these things were changed, are you aware of any change which was affected to - that is, the process for preparation, review, examination, approval and ultimately signing off on change requests, was that altered, to your knowledge?---Post me leaving, do you mean?

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Yes?---I don't know after I left.

All right, thank you. I just want to take you back then to your - you were taken in your evidence to your letter of 15 August 2008 which we've touched upon. That's the one responding to the - - -?---The delay notice.

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- - - delay notice?---Yes.

In that context, and perhaps in others, you mentioned that Queensland Health people were expressing there had been breaches by IBM. Do you remember?---Yes.

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Your letter of response is 2 September. I've been suggesting it's 15 August, but it's a bit later than that. Don't worry about it?---I've got it here, yes.

Very good. The obligations - can I ask you this - that IBM had in relation to Queensland Health were to provide deliverables under statement of work 7, statement of work 8A, that's relevant?---Yes.

Statement of work 8 and various change requests that altered those things, but it's essentially statements of work 7 and 8 and documents which may affect them?---Yes.

40

Okay? And the performance which was required of IBM was to deliver deliverables by a certain time?---Yes.

Deliver the deliverables and there was to be acceptance for (indistinct) of it by someone?---Yes. Yes.

The someone was CorpTech?---Yes.

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But the process by which you would accept them would involve consideration by lots of other people?---Yes.

Including the people within Queensland Health?---Well, particularly.

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Particularly Queensland Health - - -?---Yes.

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- - - in respect of the QHIC project?---Yes. Because I guess the process was even though we were managing the contract, it was getting - the bane of what I was talking about earlier with giving Queensland Health more autonomy and, you know, I treated them very much as the customer, my customer, and looked to them for confirmation of what was actually happening on the floor, if you like.

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Okay. Can I just ask you a few things about that? It would be a relatively simple thing to identify whether deliverables were delivered pursuant to those statements of work?---Yes.

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It would be a relatively simple thing to identify when they were accepted?---Yes.

Now, you know they were all delivered. You know they were all delivered?---Yes.

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And you know ultimately they were all accepted?---Yes. Well, I'm having trouble remembering - you're asking me an absolute - - -

During your time?---Yes. Yes.

Okay?---Yes.

Well, as best you can do sitting there now - - -?---Yes.

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- - - you know - I'm going to stammer on this - the deliverables were delivered and they were accepted ultimately?---Yes.

And it would be a relatively simple thing if someone accessed the CorpTech information to identify that?---Yes.

Similarly, it would be a relatively simple thing for Queensland Health in respect of the QHIC project to identify those two things, dates of delivery and dates of acceptance?---Yes.

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So that agitation about whether there's a breach or not should be a relatively simple thing, they go, "Here's the schedule, you didn't do it on time." That's point number 1. But you know that if anything wasn't done on time, there would be ample scope for IBM to have pointed and rightly to point and say it was dependent upon cooperation from Queensland Health and we didn't have it?---And I think that was the fundamental of the debate in the last half of 2008, was who delivered, who didn't deliver, what was in the scope, what was out of scope and while we're talking now it sounds very simple, when you get down into the detail of the functional requirements and the design of the system, that line of demarcation isn't always just that clear.

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Views can reasonably differ about that?---Yes.

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The best one can do now is look at the processes which were in place that you had in place to have all of that examined and approved as part of the change request process?---Yes.

But can I ask you this; there's an additional complication, isn't there, in identifying whether something is in or out

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of scope and that is this: you really need to read the contract, the QHIC document, the statements of works and the change requests to inform yourself of what is contractually within scope before you can complain about something being out of scope. I put that badly. Before you can complain justifiably of something being out of scope?---Yes.

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Without going into the detail and you knew that Queensland Health had the view that what they were entitled to get was a fully functional, fully automated system - - -?---Yes.

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- - - which was not the subject of the contract, the statement of the scopes, the statement of works or the change request?---Or for the interim solution.

Interim solution?---Mm.

So that those people who were no doubt trying to do the best they could for Queensland Health who were asserting breach and complaining of poor delivery were doing so against a template of what they were expecting which was simply wrong?---And I think that - - -

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Is that right? Do you agree with me?---Yes, I do. And I think that was the issue. Can I expand just - - -

Please?---I think that was the issue behind Mr Grierson particularly but me also in why the breach notice wasn't - while there were people pushing for it why it never actually went in - that was never issued. What we went through was a series of bundle of change requests at the end of 2009 where we were trying to achieve small outcomes between the three parties and then subsequently we put in place in February another meeting between players and a couple of the legal representatives to try and reach a reasonable way forward without going down the legal track.

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Sure. You said in your answer then a bundle of change requests at the end of 2009, you meant 2008, I take it?---Sorry, yes, 2008.

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THE COMMISSIONER: Sorry, when you say that Queensland Health wasn't entitled to receive a fully automated payroll system, was there any description of the extent to which it wouldn't be automated, specified in any document that you have seen?---That would - the statement of work - - -

Does it specify what (indistinct) and what is to be automated?---It would have - it would have - yes, there would have been documents that would have made that clear what was to be delivered under that statement of work.

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MR DOYLE: I will put it differently then: what Queensland Health's representatives were urging they thought they should get - - -?---Yes.

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- - - was something beyond a minimum functional solution?---Yes. 1

But rather one which was fully functional which would deliver to them the whole - in a sort of a pilot run of what the whole of government solution would be?---That was what was originally - the interim solution - - -

Can we focus on 2008 rather than what might have been thought years ago. In 2008, they were - to your knowledge, expecting something which had functionality which would simulate the delivery to them of the whole of the government roll-out rather than an interim payroll solution - - -?---I can't agree. I think from my understanding the interim solution was putting enough functionality in there to replace LATTICE which was likely to fall over if I put that crudely but - and then when the contract was signed, that's what we were intending, yes. 10

Okay. So when the contract was signed, it was intended to be a whole of government solution - - -?---Yes. 20

- - - but a part of something was advanced, that is the LATTICE payroll solution?---Yes.

Which is described in the statement of work or statement of scope as being one with minimal function solution?---Yes.

And was to - in order to get over the risk of LATTICE collapsing?---Yes. 30

Have you heard the expression a like-for-like replacement?---Yes.

What was intended is that it was an interim solution which would have workarounds and manual requirements. Yes?---Yes.

But that it would last until the whole of the government was rolled out?---Yes. 40

Now, it's really that proposition that I want to ask you about, that the Queensland Health people were really anticipating something with a greater degree of functionality than that as part of the interim solution.

THE COMMISSIONER: So is this the contention: if one looks in statement of work 8 and the correct scope document and the change requests, one can identify the payroll processes that were meant to be automated and those which were meant to be manual. 50

MR DOYLE: I wouldn't want to say that you can say that. The ones that were manual were not included.

THE COMMISSIONER: How - - -

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MR DOYLE: We will deal with this, I think, at another time, if I may. 1

THE COMMISSIONER: At some stage, I would like to have some clear idea of what is meant by minimal functionality.

MR DOYLE: I will leave it to your counsel assisting. We will endeavor to identify what was contractually promised, whether that meets the description or not, that was agreed to meet the description. 10

THE COMMISSIONER: But I have understood so far from all I have heard that there was ever a catalogue of functions that were to be done automatically by computer and those that are done by manual intervention in the computerized system and I assume that there is no such list.

MR DOYLE: We will provide a sample rather than the whole thing as it would take a lot of paper. 20

THE COMMISSIONER: I'm sure it would.

MR DOYLE: It will. None of which you have been given, which is one of the problems but a sample of the various levels of detail which can be identified from the scope documents which identify the function to be performed, or as amended by a change request, the function to be performed.

THE COMMISSIONER: I find it extraordinary that I should hear all of this evidence about ongoing debates and disagreements about what was and what wasn't in scope when I would have thought between two contracting parties such as what we are dealing with here that could have been dealt with early on and when it was established that it hadn't been dealt with adequately, it would have been but that seems not to have happened. Is that right? 30

MR DOYLE: That it wasn't agreed - well, our contention is it was agreed when the scope document was signed and thereafter a series of changes were agreed when various changes were agreed. The complaint arises because people have an expectation of something more than that. 40

THE COMMISSIONER: That might be right but expectations are tested against the documents.

MR DOYLE: Correct. Now, there was a dispute about what was to be provided or not but the evidence that you have heard - we have a comment about those people who have expressed their views without the benefit of reading the documents. 50

COMMISSIONER: I understand that.

MR DOYLE: We'll endeavour to produce a sample, if more than a sample is required we'll endeavour to do that. 1

COMMISSIONER: A sample of what?

MR DOYLE: Of the more detailed articulation of the functional performance expected of the scope.

COMMISSIONER: That might be helpful, no doubt, although it won't be much to me without - - - 10

MR DOYLE: Someone will need to explain it.

COMMISSIONER: - - - explanation. Is the sample from a larger document, a series of documents, which was or were agreed?

MR DOYLE: Yes. You'll recall from the scope document there's a series of levels of things - - - 20

COMMISSIONER: Yes.

MR DOYLE: - - - each one of which is represented by a document. We could print them all out, but we were rather expecting to - - -

COMMISSIONER: I won't thank you for it.

MR DOYLE: Nor I suspect any of us will read it, but I'll take you to it, if we can, a couple from level 1 to 5 and show you the detail, if that's of assistance to you. If there's any changes to those affected by later changes we'll incorporate that if we can, it might take a little while but we'll do that. 30

COMMISSIONER: I don't want to place a burden upon your solicitors, but I do want to understand before evidence finishes whether there was or there wasn't specification of scope that should have put to rest the debates between Queensland Health and CorpTech and IBM about what was contracted for. 40

MR DOYLE: There were agreed two things, yes, we say there was but we know that they say it wasn't particularly clear, that is sort of debate number 1. Debate number 2 is: there was but we kept being asked to change it. There was continued reintroduction of more information.

COMMISSIONER: That's the explicable circumstance, what's not explicable is that people couldn't agree if they'd agreed or not. 50

MR DOYLE: Ultimately, it was resolved by change requests, which is the contractual provision. Can I take you to change request 184, because I said I would and I want to

ask you some things about it, it's in volume 9. It starts at page 128. This is actually signed long after you ceased to be in CorpTech in this role, so I won't ask you about that but I would like you to go to page 133. The format of this change request is to delete something from the statement of work and then insert a new bit?---Yes.

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Under the heading "Pricing", it's got, "Delete entire section." Do you see that? It's hard to see?---Okay, so delete that section 8.

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It says, "Delete entire section," and then it has beneath that, "Insert"?---Okay, yes.

And the new pricing section et cetera. Just looking down that list, you'll see there's a whole series of change requests up to and including 176?---Yes.

I won't test you with your memory, but they were all change requests which were effected, were they, whilst you were at CorpTech?---Yes, I think - - -

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Even if by someone in your absence signing it?---Yes.

In respect of all of those, down to 176, the process that you've described for the review and examination of the change request was followed to the best of the participant's capacities?---Yes.

Okay, thank you. And then there's 194, which is after you? ---Yes.

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The subject matter of these things had been under debate, and it might vary from one to the other, but were under debate for at least weeks and in some instances months before the change request is actually signed off?---And particularly the later amounts, they were additional scopes, yes.

Not many other things, Ms Perrott. Do you have your statement with you?---Yes.

40

Would you go to paragraph 18, please?---Sorry, 18?

18. I'm sorry, I'm talking about your last statement, exhibit 53B?---Yes.

There was a letter sent on 28 January to Mr Doak inviting you to a meeting the next day?---Yes.

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Do you recall that?---Yes.

You'll recall the letter was sent after hours on the 28th late in the day?---I can't recall the time that it was sent, yes.

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For a meeting the first thing the next morning?---Yes. 1

You attended the meeting? It doesn't matter?---I don't think I did.

The object of the meeting was to try to have - are you familiar with the concept "without prejudice"?---Yes.

A without prejudice meeting between CorpTech and IBM - - -? ---Yes. 10

- - - because of what you appreciated to be reasonable differences of opinion about scope and causes of delay which had been exchanged between the parties to that time? ---Yes.

To your knowledge, the circumstances were, and I'll put this least favourably to IBM, or at least murky, that is, the circumstances which gave rise to the delay and the disputes about scope were at least murky?---Yes. 20

That you had no confidence that you could do anything by giving a default notice or a notice for any breach to IBM at all?---Yes.

Indeed, if you did the likely response would be to say that it was Queensland Health's fault or CorpTech's fault?---Or IBM's.

Or IBM's fault?---Yes. 30

That was an issue that had been well expressed by the respectful contenders before 28 January?---Yes.

And the object of this was to try to meet to resolve, if you could, a way forward?---Yes.

As you saw was the only sensible way to proceed, would that be right?---Yes. 40

Thank you. Would you turn next, please, to paragraph 21, where you deal with the process for change request?---Yes.

I had thought that you said in answer to someone's question, "The process often started in the customer agency," was something you said today?---Yeah, I probably was meaning - well, within the project, I guess, because there would be work happening between IBM and the agency and an additional requirement might pop up or a change might be needed and that's where the discussion would start. 50

It could be initiated, if you like, from either Queensland Health or IBM or indeed CorpTech?---Or CorpTech, yes.

The mere fact that IBM prepared it is not an indication of who first raised the issue - - -?---No. 1

- - - it's just that it had the administrative task of producing the piece of paper?---Yes.

Thank you. Would you go back, please, to your first statement, if you have it? You don't have it?---I haven't. 10

All right. Have mine, I'll be able to manage without it. In it you refer to this proposition: that in October 2008, IBM advised that it underestimated the size, complexity and scope of the phase one implementation. Do you recall that?---Yes.

I want to suggest to you, really, that's you're misremembering. It was suggested by someone else, probably someone in Queensland Health, that IBM had done so - - -?---Yes. 20

- - - but it wasn't IBM that said that?---Yes. And at the time I wrote that statement, I didn't have access to some of the documents that I now have access to so I'd be prepared to strike that out.

You accept either it wasn't said at all or if it was said it was said by someone as their impression of what IBM had done rather than anything IBM had said?---And I got it from a document that was a summary document that isn't as relevant. 30

Okay. You also said this, "In informal conversations with a couple of IBM staff, they reported they never experiences working in such a conflict ridden project as Queensland Health"?---Yes.

You say this, "This, you were shared across the program," that is, within CorpTech and Queensland Health as well"? ---Yes. 40

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So would it be your view that this was by the end of 2008 a project which you would describe as conflict driven?---Yes. 1

There were at times strident and dogmatic views being expressed within Queensland Health of what should be done. You're nodding. You've got to say yes?---Sorry. Yes.

Particularly about serving notices of breach and terminating contracts and those kinds of things which - - -?---Yes. 10

- - - was bound to cause conflict?---Yes.

Those views you knew were being expressed to IBM and to you, to CorpTech?---Yes.

Thank you. As well, there was tension between agency not wanting to have CorpTech looking over its shoulder or having any approval process - - -?---Yes. 20

- - - for the delivery of what the agency was hoping to get?---Yes.

It resented your involvement, yours, CorpTech's, involvement?---Yes.

And it didn't cooperate with you if it could avoid it? ---That last statement isn't true.

Okay?---Yes. 30

They cooperated in such a way as to suggest there was conflict?---Yes. I think they cooperated in a way accepting that it was a direction of government, but I think too many individuals were expressing their own particular views of how they thought things should be done and that often was in conflict with the direction that government had set.

That extended to not only how things should be done in a sense of how the contract should be administered, but what work - that is what physical deliverables should be done or what solution should be done?---Yes. 40

People were expressing their own private views and complaining when those views were not the accepted views? ---And I - - -

Is that right?---Yes, it was and it was happening across the three parties' individual views. 50

Yes, no doubt. Thank you.

COMMISSIONER: By the three parties do you mean CorpTech, Queensland Health and IBM?---Yes.

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MR DOYLE: Thank you. I have nothing further?
---Thank you.

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COMMISSIONER: Ms Perrott, what was done about addressing the conflict and the tension and the obvious adverse consequences that was having upon the program?---Yes. I believe at a CEO level, the CEO of Health, Queensland Treasury and Mr Grierson were meeting regularly about trying to get a reasonable way forward. Mr Doak and I were having regular meetings to discuss how we could, I guess, get agreement across our two organisations and, similarly, I was having conversations with Michael Kalimnios as well and Queensland Health. At our governance committee meetings we were trying to identify what the issues were and how they were going to resolve them. The message that my staff had was that - and particularly around scope - their personal views weren't important in this. It was about what was best for the project and if there was disagreement between IBM and Queensland Health they should try to find a solution and way forward quickly because the problem that I had was that this conflict was one of the reasons for the delay in the project because people were spending too much time in debate rather than finding solutions and moving forward and that was costing us money.

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That seems to have persisted right up until March of 2010. When the conversations you describe between you and Mr Doak and between Mr Bradley and Mr Reid and Mr Grierson didn't seem to be having the effect you had hoped for, was anything else done? Was there just an endless round of discussions and - - -?---Out of those discussions would come directions.

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Which were ignored or which were complied with? I mean, my impression of things is they didn't improve and the project or the program moved forward rancorously to go live in March of 2010. Is that a fair summary?---Yes. I think - - -

Why didn't someone take control and just stop the rancour, stop the conflict and agree upon a set of protocols?---I don't know. I can't answer.

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It was above your level, I take it?---Yes.

All right, thank you. Anything arising out of that, Mr Doyle?

MR HORTON: I have - - -

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MR DOYLE: There is actually one.

Just taking up the point that the commissioner has asked you, you would accept that the organisational structure, that is on the governance side of CorpTech and Queensland Health of QHEST and it's - early on, at least, had

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significantly impacted upon the relationship between the key stakeholders and was reducing productivity?---Sorry. Could you repeat that, please?

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The tripartite arrangement - - -?---Yes.

- - - IBM on the one hand and CorpTech and Queensland Health on the other - - -?---Yes.

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- - - and I'm focusing on the fact of Queensland Health and CorpTech for the moment - - -?---Yes.

- - - the fact that there were two of you and you had to deal with each other and you had different expectations of the roles and so on was giving rise to conflict and was reducing productivity?---I would say that was one of the many things that was reducing productivity.

I'm not saying it's the only one?---Yes.

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But certainly it was clear by the middle of 2008 that was a problem?---Yes.

Thank you.

COMMISSIONER: Mr Horton?

MR HORTON: I have one set of questions, Ms Perrott, relating to statement of work number 8. Might the witness please be shown volumes 2 and volume 4.

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Would you start, if you would, Ms Perrott, with volume 4, page 33. This is relevant to the question of minimum scope which you were asked about which the commissioner mentioned in the course of your evidence?---Yes.

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Page 33 at 6.1.2 in SOW 8. "We've got a detailed scope that would allow the SDA and Queensland Health to review the deliverables. Within this the project manager" - and by that the project manager is IBM, is that correct, in this context?---Yes. 1

"Will do certain things, agree with Queensland Health the minimum scope required for the interim solution"?---Yes.

The next dot point, "Prepare as is assessments," et cetera, "and give," final dot point, "a comprehensive solution blueprint"?---Yes. 10

That is said to have been completed at the stage that SOW 8 is brought into existence by reference to SOW 7?---Yes.

Is that your understanding of what the heading means?
---Yes.

Can we go to SOW 7 which is in volume 2 for that to see where those things are defined. Page 99 of volume 2 is SOW 7. 20

COMMISSIONER: What page?

MR HORTON: 99 of volume 2.

COMMISSIONER: Thank you.

MR HORTON: Now, I'm just asking: is this your understanding of where those things in the agreed minimum scope is defined on page 99 there under the heading Scope Requirements?---Yes. 30

Is that the extent of what the project manager did with respect to defining or agreeing with Queensland Health the minimum scope required for the interim solution?---Well, there would have been a lot more detail around the scope than just these sentences. 40

That's my question. It says it's in SOW 7, and this is SOW 7?---Yes.

Where does what is said to have been completed there under 6.1.2 scope, where does it appear, where do we find that?
---I can't remember the names of the documents, but would the BAD document maybe - - -

They come after SOW 7, accept for a moment?---Okay. 50

Do you know where in SOW 7 which it's said these steps are the completion of works that dealt with in SOW 7, or is there some attachment to SOW 7 that doesn't appear?---Yes, I believe there would be some attachment but I can't just - I can't remember.

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I want to suggest this to you: in fact, what's happened is in SOW 8 IBM's promised to do something and avoided doing it by saying, "We've already done SOW 7," and has completely failed in SOW 7 to do what's promised. 1

MR DOYLE: What? We object to that. This is late in the day to be raising a contention like that. SOW 7 has as a deliverable a scope document. The delivered scope document is the QHIC scope document, it is referred to in statement of work 8 as the thing which identifies the scope. If he's going to put that to the witness it ought to be a complete statement of the facts, and that is as we're apprehend the construct of the contractual arrangements. 10

COMMISSIONER: That is?

MR DOYLE: What I've just suggested to you is the way these contractual documents operate, that is, statement of work 7 required the production of a scope document rather than itself being the scope document. It identifies as a deliverable under statement of work 7 the scope document. 20

COMMISSIONER: Which is SOW 8.

MR DOYLE: Which is the scope document, and SOW 8 says, "You will do that." Statement of work 8 is the obligation to perform that work and it does so by cross-referring to the scope document. 30

COMMISSIONER: Mr Horton, that's Mr Doyle's contention. What were you putting forward as another contention?

MR HORTON: The contrary contention is that when it comes to SOW 8 the project manager asserts that it's already completed what it's promised to do in SOW 8 referring to SOW 7 in a completely circular process.

COMMISSIONER: Where does that appear? 40

MR HORTON: It assertion of completion appears on page 33 of volume 4. 6.1.2 scope, gives some dates, "Completed - SOW 7."

COMMISSIONER: Is there a reference in either SOW 7 or 8 to the QHIC scope document or either by designation or by description?

MR HORTON: There's no reference to it in SOW 7. A scope document is a deliverable under - - - 50

COMMISSIONER: SOW 8.

MR HORTON: - - - SOW 8.

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COMMISSIONER: All right. 1

MR HORTON: But my contention is that it's not purporting to seek to be this in scope document purporting to have completed it in SOW 7 as the definition of a minimum scope.

COMMISSIONER: I understand, thank you. All right, is that all we had of Ms Perrott?

MR HORTON: It is. 10

COMMISSIONER: Ms Perrott, thank you again for your assistance, you're free to go.

WITNESS WITHDREW

COMMISSIONER: We'll adjourn, now, until 10.00 tomorrow.

THE COMMISSION ADJOURNED AT 4.37 PM UNTIL 20
THURSDAY, 2 MAY 2013

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