

**SUBMISSIONS ON BEHALF OF THE STATE OF QUEENSLAND**  
**ADDITIONAL ISSUES RELEVANT TO TERM OF REFERENCE 3(d)**

**Procurement Policy**

- [1] Government procurement has changed in many ways since 2007. Recently, procurement was identified as a major area of opportunity for the Government's public sector renewal program. In response to a review of strategic sourcing and procurement conducted across government in 2012, the Procurement Transformation Program was launched on 3 June 2013.<sup>1</sup>
- [2] The Procurement Transformation Program will focus on delivery of benefits through a centre-led, collaborative approach with key agency participation and incorporates some specific initiatives, including:
- (a) Governance & Procurement Framework (including delegations);
  - (b) Streamlined and consistent procurement methodology;
  - (c) Procurement and capability audit;
  - (d) Enabling operating model (clarity of roles and responsibilities); and
  - (e) Benefits Realisation Framework.
- [3] In order to support the transformation agenda, the Queensland Government Chief Procurement Office will be replaced with a new Procurement Transformation Division coming into effect on 1 July 2013. The Procurement Transformation Division will focus on transforming the approach to procurement.

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<sup>1</sup> For further information see:

<http://www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementTransformationProgramWave1.pdf>  
<http://www.hpw.qld.gov.au/SiteCollectionDocuments/ProcurementTransformationProgramFactSheet.pdf>.

- [4] The Procurement Transformation Division is responsible for coordinating a centre-led, whole-of-Government approach to procurement focused on, among other things, building sector wide procurement capability. It will take a more active and hands-on role in:
- (a) driving and providing support for the overarching procurement framework;
  - (b) assisting in identifying procurement priorities; and
  - (c) providing specialist resources to work with agencies to enable delivery of these priorities.
- [5] The first stage of the Procurement Transformation Program will be to develop an enabling operating model as well as a business case for a 3-5 year procurement transformation program.

*Queensland Procurement Policy ('QPP')*

- [6] The foundation of the Procurement Transformation Program is a revised principles-based procurement policy. A copy of the new QPP is attached to these submissions.
- [7] The QPP was approved by Executive Government on 17 June 2013. It provides an overarching principles-based framework that encourages innovation in procurement solutions by allowing more flexibility without foregoing accountability. This will pave the way for a more responsive procurement framework through:
- (a) the implementation of consistent, contemporary and commercial methodologies and practices across government; and
  - (b) focusing on building the right capabilities in our people.
- [8] Rather than setting specific and prescriptive processes to be followed, the QPP provides Government with the flexibility to adopt the most appropriate strategies to deliver best outcomes, while maintaining appropriate standards of accountability.
- [9] Benefits expected to flow from a principles-based approach include:
- (a) a focus on outcomes and accountability;
  - (b) increased flexibility in determining appropriate procurement strategies;
  - (c) fostering cross-Government relationship building and collaboration with a view to consolidation, optimisation, and elimination of duplication, realisation of cross-Government synergies and development of a forward outlook;
  - (d) reduced administrative activity by removing a number of process and methodology related requirements, particularly regarding planning and capability assessments; and
  - (e) delivering better procurement outcomes.

[10] Some features of the QPP that are relevant to Terms of Reference of the Commission of Inquiry include:

(a) *Governance and Strategic Approach*

A procurement governance model is being developed as part of stage 1 of the Procurement Transformation Program. This model will establish a planning and reporting framework that will include a performance management framework that considers risk and reward and will be aligned across government.

A Director-General Council has been established as a strategic committee, accountable for the creation of procurement value across whole-of-Government. The Director-General Council will set the strategic direction for procurement and is the key leadership mechanism within the governance model. It will oversee the improved management of the State's procurement expenditure.

The Director-General Council is comprised of Top 7 spend agencies plus the Department of Premier and Cabinet, the Under-Treasurer; and the Public Service Commissioner. The Chief Executive Officer of Ergon Energy Corporation Limited has joined the Director-General Council, to provide commercial focus and enhanced consultation with that sector.

(b) *Contract and Performance Management*

Contract management provisions have been introduced to ensure focus on benefits realisation, managing performance and ensuring that market intelligence is not lost at the end of a sourcing exercise, but continues during the life of a contract, and that contract renewals are well managed. For the first time, an explicit statement regarding contract management has been included within the QPP. This provides recognition of the importance of actively and effectively managing all phases of the procurement cycle including contract management and renewal.

(c) *Customer engagement*

Improving engagement between procurement and business areas to ensure that each procurement works towards achieving, and is aligned with, business needs and objectives.

(d) *Capability*

The importance of capability has been elevated with a focus on building relevant capability across the procurement function to grow with changing business needs. It is recognised that capability development in procurement is of vital importance. The Procurement Transformation Division will assist in building and providing access to relevant capability across the sector.

(e) *Integrity*

As Government is responsible for the expenditure of public funds it must be accountable for delivering timely outcomes using public resources, ensuring that

decisions are defensible and transparent, and that procurement is conducted to the expected standards of probity and accountability.

*Current status*

- [11] A business case will be presented to Executive Government reporting on the outcomes of the first stage of the Procurement Transformation Program and recommending the forward Procurement Transformation Program over the next 3-5 years including development of the State Procurement Plan, State Category Plans and Agency Procurement Plans.

**GITC Framework**

- [1] GITC is a contracting framework that was first developed by the Commonwealth Government in 1991. It was established as a set of legal documents that Commonwealth agencies could use to acquire ICT goods and services. Some State and Territory governments have adopted a particular version of GITC and others have created their own frameworks based on the Commonwealth GITC framework.
- [2] Executive Government mandated the use of GITC contractual terms and conditions for all procurement of ICT goods and services. The requirement is imposed through Information Standard 13.<sup>2</sup> There are no exceptions to that requirement.
- [3] The Queensland Government currently uses GITC v 5.02. At the time of the IBM contract, the v 5.01 was used.
- [4] The Framework requires, and did require at the relevant time, that potential suppliers of ICT services obtain accreditation and enter into a head agreement with the contracting authority (GITC Services within the Department of Housing and Public Works). Once a supplier is accredited, and has entered into a head agreement, individual agencies may enter into customer contracts with the supplier in respect of its accredited ICT goods or services on standard terms and conditions that apply to all ICT procurement. Agencies and suppliers have an obligation not to contravene or derogate from the pre-agreed terms and conditions of the GITC framework contract documents.
- [5] A customer contract is comprised of a General Order, the Customer Contract Provisions and the Module Orders and Modules relevant to the Services. The General Order must specify which Modules apply to the Customer Contract and only the Modules that are relevant to the Services form part of the Customer Contract.
- [6] Other jurisdictions do not mandate use of the GITC contract documents. For example:
- (a) The Commonwealth Government currently uses both the SourceIT model contracts and GITC v 4.1.<sup>3</sup> The use of the SourceIT model contracts is limited to 'simple procurement', which usually refers to the purchase of commercial-off-the-

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<sup>2</sup> <http://www.qgcio.qld.gov.au/products/qgea-documents/547-business/2518-procurement-and-disposal-of-ict-products-and-services-is13-business>.

<sup>3</sup> For more information see: <http://www.gitc.finance.gov.au/scripts/docloader.asp?id=400401>; <http://agimo.gov.au/policy-guides-procurement/sourceit-model-contracts/>.

shelf products in certain circumstances. GITC v 4.1 is used by Commonwealth agencies where a SourceIT model contract is not suitable, i.e. the subject matter is too complicated. However, use of SourceIT model contracts and GITC v 4.1 is not mandatory and they are described as catering for most, but not all, instances of ITC procurement.

- (b) NSW agencies use the Procure IT Framework v 3.0. The framework uses template contract documents for whole-of-government and agency-specific arrangements that are similar to the Queensland GITC v 5.<sup>4</sup>
- (c) Use of the GITC framework in Victoria is not mandatory, but is preferred. The Victorian Government has also published suggested clauses for insertion into non-GITC based contracts.<sup>5</sup>
- (d) In Western Australia, government agencies must use an ICT Request template and the Request Conditions and General Conditions of Contract for services outside of the 'common use arrangement' established. The common use arrangement is a panel of prequalified suppliers. This requirement is mandatory for all ICT Transactions, unless a more complex, or a simpler, contract is required. Decisions about the complexity are made by individual agencies.<sup>6</sup>

[7] Mr Gray highlighted in his report that, while the IBM contract was typical of *public sector* IT project contracts, it lacked certain features increasingly found in contemporary *private sector* IT project contracts.<sup>7</sup> Mr Gray also highlighted some concerns with the GITC framework, in particular, the way that contracts are structured.<sup>8</sup> Mr Swinson also explained how the GITC contract was difficult and extra effort was taken to make changes that were required to protect the State.<sup>9</sup>

## ICT Policy

- [8] The Queensland Government Enterprise Architecture is the collection of ICT policies and associated documents that guides agency ICT initiatives and investments to improve the compatibility and cost-effectiveness of ICT across Government.<sup>10</sup>
- [9] ICT policy has also changed significantly since 2007. In September 2009, the Queensland Government Chief Information Officer mandated the QGEA and

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<sup>4</sup> For more information see: <http://www.procurepoint.nsw.gov.au/before-you-buy/standard-contract-templates/procure-it-framework-version-30>.

<sup>5</sup> For more information see: <https://www.dfvic.gov.au/CA257310001D7FC4/pages/policies-and-standards-ict-procurement>.

<sup>6</sup> For more information see: [http://www.finance.wa.gov.au/cms/uploadedFiles/Government\\_Procurement/Guidelines\\_and\\_templates/goods\\_and\\_services\\_guide\\_for\\_the\\_use\\_of\\_the\\_ict\\_gcoc\\_and\\_request.pdf?n=9051](http://www.finance.wa.gov.au/cms/uploadedFiles/Government_Procurement/Guidelines_and_templates/goods_and_services_guide_for_the_use_of_the_ict_gcoc_and_request.pdf?n=9051).

<sup>7</sup> Exhibit 78 section 6.2(a).

<sup>8</sup> Exhibit 78 sections 12.6 and 12.7.

<sup>9</sup> T19-87, I 20.

<sup>10</sup> For more information see: [https://www.qgcio.qld.gov.au/images/documents/QGEA\\_documents/SiteCollectionDocuments/Architecture%20and%20Standards/QGEA%202.0/Queensland%20Government%20Enterprise%20Architecture%20Framework%20%200%20v%201%200%200.pdf](https://www.qgcio.qld.gov.au/images/documents/QGEA_documents/SiteCollectionDocuments/Architecture%20and%20Standards/QGEA%202.0/Queensland%20Government%20Enterprise%20Architecture%20Framework%20%200%20v%201%200%200.pdf).

accompanying Information Standards as key whole-of-Government Information and ICT planning requirements.

- [10] Information Standard 2 *ICT resources and strategic planning* sets out a structured and consistent approach for managing current ICT assets and planning for current and future initiatives.<sup>11</sup> IS 2 requires that when undertaking ICT resources strategic planning, departments and Queensland Government ICT service providers must use the Queensland Government ICT Planning Methodology.
- [11] Information Standard 13 relates to Procurement and Disposal of ICT Products and Services. QGCIO has published the *Better Practice Guide for Procurement and Disposal of ICT Products and Services* to complement IS 13 that provides an overview of ICT procurement processes.<sup>12</sup> It includes a requirement for a peer review process before departments invest in data centres, networks, infrastructure and essential ancillary services. It also requires a \$2 Million Review if the projected total (staged or otherwise) whole-of-life costs of an ICT purchase or procurement are \$2 million or above.
- [12] The QGCIO recently published the full ICT Audit undertaken in 2012 and its response to key findings and recommendations from the audit. The audit was the largest of its kind ever undertaken in Queensland. The documents can be accessed at: <http://www.qld.gov.au/dsitia/initiatives/ict-strategy/>.
- [13] The following table sets out recommendations 19 to 23 of the Audit Report that relate to Payroll systems and the Government's responses to the recommendations:

Recommendation	Response
<p>19 Conduct basic technical upgrades for high-risk payroll systems in accordance with recommendations on critical business systems with the exception of the Department of Community Safety Lattice-based payroll system.</p> <p>Consider using external organisations to perform some of the technical upgrades to reduce risk.</p>	<p><b>Accepted</b></p> <p>Recommendations from the Commission of Audit regarding the delivery of corporate services, and the transition to ICT-as-a-service, have been accepted by the government.</p> <p>Implementation planning is being undertaken to determine the most appropriate approach and timing for addressing immediate risks, transitioning to ICT-as-a-service, and to consider alternate delivery models for payroll and financial services.</p>

<sup>11</sup> <http://www.qgcio.qld.gov.au/products/qgea-documents/547-business/2599-ict-resources-and-strategic-planning-is2>.

<sup>12</sup> <http://www.qgcio.qld.gov.au/products/qgea-documents/547-business/2518-procurement-and-disposal-of-ict-products-and-services-is13-business>.

	<p>The recommendation will be considered in light of the Commission of Audit recommendations.</p> <p>The Department of Community Safety has advised that significant progress has been made in mitigating the risks associated with the Department of Community Safety payroll, including the recent commissioning of enhanced disaster-recovery systems; and improved business-continuity processes as an interim measure until the system is replaced by a managed service.</p>
<p>20 As an immediate priority, examine external provision of payroll systems and services for the replacement of current government-hosted payroll systems. Test the market for provision of payroll as an externally-managed service through the conduct of a pilot for a lower complexity business group within the Department of Community Safety (i.e. employees covered under the core Enterprise Bargaining Agreement).</p>	<p><b>Accepted</b></p> <p>Recommendations from the Commission of Audit regarding the delivery of corporate services and transition to ICT-as-a-service have been accepted by the government.</p> <p>Implementation planning is being undertaken to determine the most appropriate approach and timing for addressing immediate risks, transitioning to ICT-as-a-service, and to consider alternate delivery models for payroll and financial services.</p> <p>The recommendation will be considered in light of the Commission of Audit recommendations.</p>
<p>21 When implementing or sourcing payroll solutions, agencies must seek to remove complexity from awards and where possible remove regulatory and legislative barriers to the use of standard unmodified payroll products.</p>	<p><b>Accepted</b></p> <p>The recommendation will be considered in light of the Commission of Audit recommendations.</p>
<p>22 Conduct analysis and preparation for implementation of a payroll-managed service for the remainder of the Department of Community Safety. Consider opportunities to simplify awards and eliminate complexity as part of the preparation activities.</p>	<p><b>Accepted</b></p> <p>The recommendation will be considered in light of the Commission of Audit recommendations.</p>

<p>23 Develop a business case for the transition of all government payroll systems to externally-managed services subject to evaluation of pilots.</p>	<p><b>Accepted</b></p> <p>Recommendations from the Commission of Audit regarding the delivery of corporate services and the transition to ICT-as-a-service have been accepted by the government.</p> <p>Implementation planning is being undertaken to transition to ICT-as-a-service and consider alternate delivery models for payroll and financial services.</p> <p>This recommendation will be considered in light of the Commission of Audit recommendations.</p>
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### **Evidence about the Mater Hospital Payroll System**

- [14] Malcolm Thatcher, Chief Information Officer, Director Information and Infrastructure, Mater Hospital, to the Queensland Health Payroll System Commission of Inquiry concedes that there is a vast difference between the Mater and Queensland Health.<sup>13</sup>
- [15] He also concedes that he was proposing a commercial arrangement for a pilot of the Mater Hospital payroll solution.<sup>14</sup>
- [16] Substantial budgetary and resourcing considerations and compliance with the State Procurement Policy would be relevant to any such arrangement.

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<sup>13</sup> T 31-27 | 49.

<sup>14</sup> T 31-29 | 3.