STATEMENT OF PAUL GERARD HICKEY

Name   Paul Gerard Hickey

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                        4101

Occupation   Project Manager

Date   29 April 2013

I state as follows:

1.   I am currently employed by SAP Australia Pty Ltd (**SAP**) and have been since about
      January 2011. Before that I was employed by IBM Australia Ltd (**IBM**).

2.   I was involved in the Shared Service Solutions Program (**SSSP**) over two distinct periods:
      firstly as Program Director, from about 5 December 2007 (when the contract was signed)
      until about late June 2008; and then as Project Director from about late August 2008 until
      about 24 February 2009. I remained involved with the Project through March 2009 to
      provide background information and advice to John Gower and Bill Doak in their respective
      roles as Project Director and Program Director.

3.   As Program Director I was the IBM person responsible for the overall delivery of the SSSP.
      Later, as Project Director, I was responsible for managing the IBM team working on the
      delivery of an interim replacement for the Lattice payroll system used by Queensland
      Health. In this latter role, I reported to Mr Doak, who took over from me as Program
      Director in a staged transition in June 2008.

4.   During the period of my involvement in both roles, the Lattice replacement project was
      generally referred to as the Queensland Health Implementation of Continuity (**QHIC**)
      project. For consistency, I will refer to the project as QHIC or the QHIC Project. The IBM
      team working on the project was usually referred to as the QHIC team. The Queensland
      Health team working on the project was referred to as the QHEST (Queensland Health
      Enterprise Solutions Transition) team.

5.   In this statement I deal with only certain key events that occurred during my time as both
      Program Director and Project Director. I have not addressed every aspect of the SSSP or
      QHIC. I have been told by IBM's solicitors that there are over 10,000 emails sent and
      received by me during the course of my time on the SSSP, and that if printed the emails
      would run to over 110,000 pages. I have not had the opportunity to review most of these
      emails before preparing this statement.

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QUALIFICATIONS AND EXPERIENCE

6.　　I hold a Bachelor of Technology (Honours) in Materials Science and Technology, which I obtained from Brunel University in the United Kingdom in 1979.

7.　　I have extensive experience in relation to the project management of IT projects.

8.　　I have over 20 years of project management experience and over 30 years of project delivery experience in IT.

9.　　I am a member of the United Kingdom Association for Project Management (**APM**) and qualified to APM Professional level.

PROGRAM DIRECTOR

10.　　In the period from 5 December 2007 until late June 2008, I was IBM's Program Director for the SSSP. In this role, I reported to IBM senior management.

11.　　I was responsible for managing the work of IBM staff and sub-contractors across all of the Statements of Work (**SOWs**) for the SSSP. I was supported by a Deputy Program Director, John Gower, and a Program Delivery Office (**PDO**), consisting of about six to eight people.

12.　　Each of the SOWs had a Project Manager or Project Director who reported to me. Each such manager or director managed their own teams working on different aspects of the overall SSSP.

13.　　In relation to IBM's delivery of the SSSP as prime contractor, I was externally accountable to the customer, CorpTech (which represented the State of Queensland), for the delivery of the program. One of my key duties was to manage the customer relationship with the Queensland Government, including CorpTech, and to liaise with key stakeholders such as Queensland Health and the Department of Education, Training and the Arts (DETA).

14.　　There was a formal oversight process for the SSSP through the SSSP Steering Committee, which also served as a forum for different stakeholders to raise issues about the program. The SSSP Steering Committee included representatives from CorpTech and a range of Queensland Government agencies, including Queensland Health and DETA. In my capacity as Program Director I attended the SSSP Steering Committee meetings. To the best of my recollection, the SSSP Steering Committee meetings were held monthly.

15.　　Each project under the SSSP had its own governance arrangements, however, only QHIC had its own formal steering committee structure, which focused on the delivery of the Lattice replacement solution. This committee included representatives from CorpTech and Queensland Health. During the period that I was Program Director I attended some QHIC

Project Steering Committee meetings. Chris Prebble, who was the QHIC Project Director at that time, regularly attended these meetings.

16. Later, after I became QHIC Project Director, I attended only the QHIC Project Steering Committee meetings (and not the SSSP Steering Committee meetings). I was often accompanied by Bill Doak to these meetings, as he was the Program Director by that stage.

Project management

17. For the purposes of project management during both periods, I used the Ascendant approach to project management. The Ascendant approach is a flexible methodology developed to manage the life cycle of complex software projects. It has the following high level stages:

   a)   determine customer requirements;

   b)   define the solution scope;

   c)   design the solution;

   d)   build the solution (technical development);

   e)   internal (IBM) testing (also known as system testing);

   f)   external (User) testing (also referred to as user acceptance testing);

   g)   deployment of the solution into the business environment (GoLive); and

   h)   support of the solution after Go Live.

18. The Ascendant methodology is a framework from which IBM selects and uses components relevant to each particular project. It is customised according to the needs of the project. This methodology may also be supplemented by elements of other methodologies used by IBM (for example, in relation to testing). IBM engaged a consultant to determine which work products from the Ascendant methodology would be developed under the SSSP (email from David Nimmo to Paul Hickey dated 26 February 2008).

19. The overall program was managed following the processes defined in the Program Management System developed in the first quarter of 2008 and signed off by CorpTech. Each project was the subject of its own Project Execution Plan (**PEP**) or Project Management Plan which showed how the project would follow or vary from the Program Management System.

20. A PEP is a high level summary of how the project will be run, which cross references other relevant documents. A PEP serves several functions, including:

a. as a project management tool;

b. as a document for explaining the project to IBM staff working on the project; and

c. once accepted, as a document recording a shared understanding between IBM and the customer about how the project will be run.

21. The PEP includes a summary of the solution at a high level. It also sets out the project stages, team structure, deliverables, activities to be performed, milestones and assumptions.

22. At paragraphs 42 and 48 of his second statement Mr Campbell states that IBM did not follow the Ascendant methodology. I disagree. IBM used a customised Ascendant methodology as set out in the Project Execution Plan (**PEP**) for the project. Further, had IBM waited for each phase to be completed before commencing the next (as suggested by Mr Campbell at paragraph 80), the delivery of the project would have been significantly delayed. In practice, on large projects it is not uncommon for system build to commence before design is 100% complete or for systems (unit and integration) testing to commence before system build is finished. This is not the case for User Acceptance Testing (**UAT**) because UAT is typically performed by a customer team and its workplan is outside the control of the project manager.

23. The original schedule for QHIC assumed that (i) design and build; and (ii) build and test would overlap. This schedule was reviewed and accepted by all parties as being necessary to meet QHIC project timeframes.

24. A Requirements Traceability Matrix is a tool, which can be used as described in paragraph 83 of Mr Campbell's statement. However, in my experience, it is not the only way to determine whether a reported defect is in fact a defect or a changed requirement. This can also be done by reference to documents including scope definition; business requirements and business attributes documents; and functional and technical specifications (which was the case for the QHIC project).

Scheduling

25. I refer to the Statement of John Beeston (signed 8 March 2013) provided to the Commission. At paragraph 67 of his statement, Mr Beeston suggests that IBM did not develop a useful schedule for the QHIC Project. I do not agree.

26. At the beginning of the SSSP, I had each IBM team develop a schedule based on all deliverables identified in each of the SOWs and these were used for reporting purposes. For example, Mr Prebble developed and maintained a project schedule for the QHIC project. This is referred to in a number of steering committee reports.

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27. During the time that I was Program Director, Mr Beeston criticised IBM for not having an integrated program schedule that would automatically update all of the work being done through the SSSP. I felt that the additional work required to create an all-encompassing schedule was not a priority, as the working schedules were updated as required by reference to the weekly program reporting provided by IBM's project managers and there were very few dependencies between the activities under the separate SOWs.

28. In the event, and in co-operation with CorpTech schedulers, IBM prepared an integrated program schedule which was incorporated into the SSSP Steering Committee Reports. An example of this schedule can be seen in the Steering Committee Report for 4 May 2008 at page 15. I introduced a more user-friendly representation of the schedule in Steering Committee Reports from about mid May 2008.

29. Later, when I was the QHIC project director, I also created an integrated project schedule based on individual team schedules. This is described in a later version of the PEP for QHIC.

Reporting

30. As Program Director, I prepared weekly Steering Committee Reports for the SSSP. These Steering Committee Reports were based on material provided to me by each of the Project Managers or Directors and information known to me as Program Director. I copied some of the material in the Steering Committee Reports directly from reports which I received from my managers. Other parts of the Steering Committee Reports I wrote myself (for example, the executive summary to the Steering Committee Reports).

31. For the SSSP, IBM used a reporting methodology which included rating the progress of various aspects of the program by colours (Red, Amber and Green). Under this methodology, green means that the project is on track; amber means that there are risks or issues affecting the project which are being controlled; and red means that there are serious risks or issues affecting the project which require management attention. Towards the end of my Steering Committee Reports, I included a section entitled "Critical and High Priority Risks", to highlight various issues to the Steering Committee. Over time, the content of my report developed, reflecting changes in the issues that were important for the delivery of the project.

32. In preparing my Steering Committee Reports, I endeavoured to ensure that the main events and issues in relation to the SSSP were presented accurately and transparently. My Steering Committee Reports therefore provide a summary description of what was occurring in the SSSP from a project management perspective during the period from February to June 2008.

33. My Steering Committee Reports were provided to the Steering Committee each week by email. They were also discussed in person with CorpTech representatives on a weekly

basis. Matters raised in those reports were also discussed at the monthly Steering Committee meetings. In general, at such meetings I would speak to my most recent report and then there would be an opportunity for discussion of issues arising from my report.

34.   Copies of my Steering Committee Reports were also provided to the Strategic Program Office (**SPO**) and to representatives of the Solution Design Authority (**SDA**) within CorpTech, whose function it was to manage the delivery of the SSSP on behalf of the State. The SPO was led byJohn Beeston and the SDA was led by Terry Burns (who later went to QHEST).

35.   I have been provided with copies of my Steering Committee Reports for the period from 8 February 2008 until late June 2008, by IBM's lawyers, Ashurst.

36.   I have reviewed my Steering Committee Reports in preparing this statement.

CHANGES OF ROLE

37.   When I agreed to take on the role of Program Director in November 2007, I did so on the basis that I would be taking Long Service Leave in mid-2008 and that I would be replaced as Program Director. However, I later deferred my Long Service Leave to 2009.

38.   From about April 2008, I was considering resigning from the position of Program Director, in part because the relationship with parts of CorpTech, and Mr Beeston in particular, had become very difficult. Whilst I had no difficulty working with Mr Burns, I perceived that Mr Beeston was becoming increasingly adversarial in his approach to IBM. In my view, a program as large and as complex as the SSSP was only likely to be successful if IBM, CorpTech and other agencies were able to work together in a collaborative way.

39.   During 2008, I was also involved as a witness in a NSW legal dispute in relation to an IT contract involving Sydney Water. This matter was starting to require an increasing amount of my time and was adding to the pressure on me as SSSP Program Director.

40.   In about early May 2008, I met with Peter Munro and asked to be removed as Program Director. Mr Munro started the search for a suitable replacement. Bill Doak, a senior Partner working for IBM in New Zealand, was soon identified as my replacement but it took some time for him to transition into the role.

41.   In June 2008, Mr Doak took over the role of SSSP Program Director. There was a handover period during which I was able to bring him up to speed on the issues affecting the program. I then went on leave in July 2008, at which time I had no continuing role in the SSSP.

42.   In about July 2008, Chris Prebble left as Project Director of the QHIC Project and Tom Bell took over that role for a short time.

43. In about August 2008, after I had returned from leave, Mr Doak asked me if I would take over the role of Project Director for the QHIC project. I agreed to take on that role and commenced as Project Director on about 22 August 2008.

44. I have been provided by IBM's lawyers, Ashurst, with copies of weekly reports that I prepared in my capacity as Project Director for the period from 29 August 2008 until 22 February 2009. I refer to these reports generally as "QHIC Weekly Reports". I am told by Ashurst that the reports provided to me include all of the QHIC Weekly Reports prepared by me which they have been able to locate. I have reviewed the QHIC Weekly Reports which Ashurst has located for the period during which I was the QHIC Project Director.
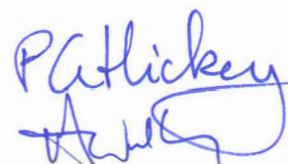
DETA

45. It was intended that the staged implementation of the SSSP would include delivery of the whole of government human resources and payroll (**HR payroll**) software solution to DETA.

46. In my opinion, the SSSP faced serious difficulties because few (if any) of the big agencies appeared to want to be part of a whole of government solution. In particular, it was apparent to me that DETA would have preferred to implement and manage its own HR payroll solution. In about March or April 2008, I had a conversation with Terri Collingwood-Brown who was DETA's project director. In that conversation, Ms Collingwood-Brown expressed her frustration with CorpTech. She told me that DETA had originally intended to implement its own replacement HR Payroll solution and that it had invested heavily in this work. She said that the incorporation of DETA into the SSSP had meant that DETA had lost the opportunity to implement its own system and was now dependent on CorpTech.

47. During the time that I was Program Director issues in relation to DETA occupied a significant amount of my time. From almost the beginning of the program, DETA appeared to be seeking to move away from the whole of government solution and, in particular, did not appear to want to use Workbrain for award interpretation.

48. DETA only had a small number of employment awards. Further, unlike Queensland Health, DETA did not have any need for rostering software because its workforce works defined hours. Throughout the first half of 2008, DETA already had its own HR payroll project team working in parallel with the work being carried out by CorpTech and IBM under the SSSP. The IBM DETA project team was co-located with DETA's own project team during the delivery of SOWs 11, 11A and 11B. DETA's project team was led by Ms Collingwood-Brown.

49. Under SOW 11, IBM was required to undertake design and build of DETA base configuration (of SAP to meet DETA's requirements); analysis of DETA requirements for availability and replacement of staff; and priority HR development. Contrary to paragraph 29 of Mr Beeston's statement, IBM developed a project schedule during the negotiation of

SOW 11 and this was incorporated as part of the SOW. Although a PEP was produced for SOW 11, this was not a specified deliverable.
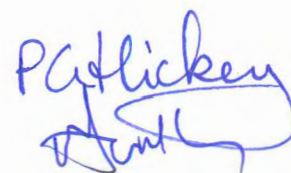
50.   During the period that I was Program Director, IBM produced a number of deliverables under SOW 11 including configuration documents, functional specifications, unit test scripts and a feasibility assessment report. These are set out in the Steering Committee Report of 11 May 2008 at page 24. At this time, IBM was having difficulty clarifying the scope of work for future work for DETA to be performed under SOW 13.

51.   SOW 11A provided an extension of time for the work covered by SOW 11, although it also added two additional deliverables. SOW 11B was intended to replace SOW 11A and to add five deliverables.

52.   In about March 2008, IBM and CorpTech were considering whether DETA's HR payroll solution could be delivered on a separate instance of the SSSP software solution being developed for the whole of government. Technically, it was feasible for a separate instance of the software for DETA to be developed and yet still be considered to be part of the SSSP. The discussions between IBM, CorpTech and DETA in relation to this matter delayed the production of SOW 13, which was a deliverable under SOW 11.

53.   In about April 2008, I attended an offsite meeting at which Stan Sielaff and other members of the DETA team were present, as well as Mr Burns and Mr Shah representing CorpTech. The purpose of the meeting was to discuss a proposal for the DETA functionality to be developed and delivered as a separate instance of the whole of government solution. I had a discussion with Mr Burns outside this meeting where I said that if DETA implemented on a separate instance, they could use a solution which did not include Workbrain. Shortly after this discussion, I recall that Mr Sielaff took a phone call. When he returned, he informed the meeting that it had been decided that DETA would use the Standard Offer which included Workbrain.

54.   However, it was not until about 8 June 2008 that CorpTech and DETA finally advised IBM that DETA agreed to use the solution being designed for the whole of government. An approach was agreed in principle and IBM agreed to continue the work to the end of June when SOW 13, the DETA Design would commence (Steering Committee Report dated 8 June 2008, page 2).

55.   Mr Beeston refers to a meeting at paragraph 27 of his statement. It is possible that, at this meeting, I agreed with Mr Beeston that the progress on the SSSP implementation for DETA was unsatisfactory. However, if I did so, it was not because I believed that IBM's work was unsatisfactory. Rather, in my view, the SSSP implementation for DETA was making poor progress because DETA did not want to be part of the program and we were therefore having difficulty engaging with it in a productive way. For example, I formed the view that it was necessary to produce a "rules of engagement" document to specify how IBM, CorpTech and DETA would work together and this was produced by IBM.

56. Prior to the time when I ceased to be Program Director, IBM continued to work with DETA to define and agree a suitable scope of work to progress its implementation. The status of this work is described in a letter that I sent to Mr Beeston on 6 July 2008.

57. While I was not responsible for DETA after July 2008, I am aware that IBM continued to work with DETA and CorpTech on the DETA implementation up to the end of 2008.

LATTICE REPLACEMENT INTERIM SOLUTION (QHIC)

58. Before I commenced as Program Director for the SSSP in December 2007, during contract negotiations, I was aware that Queensland Health required an urgent replacement of its payroll system which was called Lattice. I understand this was urgent because vendor support for Lattice was due to end in about June 2008.

59. A further reason for urgency was that Queensland Health was planning for future enterprise bargaining changes that would need to be implemented as part of its payroll system. Queensland Health was concerned that Lattice might fail if the required enterprise bargain changes were made to that system.

60. The decision to implement Queensland Health as a priority deployment within the whole of government SSSP solution was a Queensland Government decision. Although the idea of a two-stage implementation for Queensland Health may originally have been suggested by IBM, I believe that this was made a tender requirement by the Government in the ITO. By the time I commenced my involvement as Program Director, it was understood that IBM was to develop an interim solution for Queensland Health as the highest priority. IBM started work on SOW 7 in advance of the contract for the SSSP being signed.

61. The SSSP was to be delivered through various SOWs, each of which defined a discrete project and associated deliverables to be produced by IBM for the State of Queensland (which was represented by CorpTech). SOWs 7 and 8 defined the work that was to be done for the Lattice replacement system for Queensland Health. SOW 5 defined the work to be done in relation to WorkBrain awards interpretation. SOWs 12 and 12A defined the work to be done on Workbrain rostering.

62. The Lattice replacement system was planned to be an interim system. During my interview with the Commission on 12 April 2013, I was asked to comment on what was understood by the parties in relation to a "minimal" Lattice replacement solution. In my opinion, "minimal" reflects the understanding which the parties (Corptech, Queensland Health and IBM) had as to the scope of the solution, at the time the contract was entered into (5 December 2007) and when SOW 8 was agreed. That understanding is reflected in SOW 7, the QHIC Project Team Scope Definition Document and SOW 8. For example:

   a. SOW 7 paragraph 2.1.1 D states that *"[i]n determining the scope for the interim solution, the Contractor in conjunction with the SDA [Solution Design Authority]*

will determine critical Agency requirements for Queensland Health for interim solution";

b. SOW 7 paragraph 2.1.1 D refers to *"critical Agency requirements"* being *"kept to an absolute minimum"* to *"satisfy the basic functions of paying, rostering and managing their human resources";*

c. The QHIC Project Team Scope Definition Document (discussed further below) at paragraph 2.2.1. refers to "the minimum possible functionality that allows Queensland Health to continue HR/Payroll and Rostering operations"; and

d. SOW 8 at paragraph 1.3.1 states that the *"scope of work defined by this document will provide an interim HR/Payroll solution".*

63. At the time the Lattice system was not providing a fully automated payroll system and there were extensive workarounds for it to operate as a payroll system. The "minimal" solution was never intended to provide a comprehensive fully automated payroll system. That would be delivered as part of the roll out of the whole of government solution.

64. The scope of works agreed by the parties in about January 2008 reflected what the parties understood to be a "minimal" solution. I believed this to mean that the QHIC Project would deliver a limited solution that would not necessarily have all of the functionality that Queensland Health would like. I expected that any additional functionality, which could not be included in the interim solution, would be addressed in the context of the later SSSP solution. The interim solution was to be superseded by the SSSP solution when this was rolled out to Queensland Health as one of the final SSSP implementations, although some of the work done on the interim system would be able to be used as part of the final version. This can be seen in the language that was used for SOW 8, for example at page 3.

65. The QHIC Scope Definition defined the scope for the solution to be delivered under SOW 8. It provided an explanation of the scope of the Lattice replacement solution and set out the elements to be built by IBM as part of that solution. There were other documents which set out the scope of the solution in greater detail, in particular, the Business Attributes Document (**BAD**).

66. As required by SOW 7, the QHIC Scope Definition was prepared by IBM based on information provided to IBM by Queensland Health and the SDA as to Queensland Health's requirements for the Lattice replacement solution. Queensland Health provided IBM with its requirements through a series of workshops and discussions. IBM and the SDA determined the scope of the solution based on those requirements.

67. SOW 8A was signed on 2 January 2008. It was to allow IBM to continue the activities in relation to the Lattice Replacement Interim Solution detailed design, implementation and

deployment under SOW 7, to continue in the period from 2 January 2008 to 18 January 2008.

68.   SOW 8 (version 1.0) was agreed in about late January 2008.

69.   Deliverables required by SOW 8 were provided and accepted at least during the time I was QHIC Project Director (prior to the end of February 2009).

70.   SOW 8 defines at a high level the work to be done by IBM in relation to the Lattice interim replacement. For project implementation purposes, SOW 8 is complemented by other more detailed project documents, including the QHIC Scope Definition. The latter document provides a more complete understanding of the operational scope of the solution that IBM was required to design and build in conjunction with CorpTech and Queensland Health.

71.   During my interview, I was also asked some questions by the Commission about IBM's scoping of the Lattice replacement solution. I believe that IBM was diligent in undertaking that work and took the sorts of steps that would normally be undertaken in the scoping stages of a large project, including conducting workshops with Queensland Health to identify its business requirements.

72.   In answering the questions put to me by the Commission, I said that it was IBM's responsibility to define the scope, which would then be subject to acceptance by Queensland Health and CorpTech. As is set out in SOW 7 (at 2.1.1 C), IBM was required to "define" the technical scope of the different elements of the solution. This is what I was referring to in my interview. In a practical sense, such work involves describing and documenting the technical details of the system to be designed and built, based on the requirements articulated by the customer (in this case CorpTech). In turn, as stated in SOW 7 (at 2.1.1 D), the parties had agreed that "*[i]n determining the scope for the interim solution, the Contractor in conjunction with the SDA will determine the critical Agency requirements for Queensland Health for interim solution*". Similarly, under the shared accountability matrix in SOW 8, scope development and documentation was a shared accountability (as set out at page 9). However, "*agency requirements*" were the responsibility of QHEST. The QHIC Scope Definition also identifies (under the heading "Accountabilities" at clause 2.5) the respective accountability of IBM and QHEST for various activities.

73.   The QHIC Scope Definition in its accepted form was produced following an extensive process of collaboration and review. This can be seen at pages 4–5 of the document which lists the people from QHEST and CorpTech who were consulted in its preparation. Page 2 also identifies Damon Atzeni, Cathy Sparks and Nigel Hey as QHEST representatives who formally reviewed the document.

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74. I refer to the statement of Malcolm Campbell dated 12 April 2013. At paragraph 26, Mr Campbell states that there was no signed-off scope document (and a similar criticism is stated at paragraphs 48 and 79). In fact, the QHIC Scope Definition was finalised on 21 February 2008 (which is when version 1.0 was completed), and, with some minor amendment, signed off by Mr Ekert as approved on 25/02/2008.

SAP and Workbrain

75. The main software elements used in the Lattice replacement solution were SAP and Workbrain. Both applications had been selected by CorpTech through an earlier procurement process in 2005, which led to the Human Resources Business Systems (**HRBS**) Contract.

76. A common aspect of solution development is to take different pieces of software and get them to work together. This is often what IBM does when it develops tailored solutions for particular clients. I had no reason to believe that SAP and Workbrain would not be able to work together once IBM had gone through the normal design, build and testing processes. Based on my knowledge of the HRBS Contract, I believed that both products would interface together and that this had been demonstrated in about 2005. I also understood that the integration between the underlying technologies (Websphere, which is used in conjunction with Workbrain, and SAP XI) was well proven. For these reasons, I was not concerned about whether or not Workbrain would integrate with SAP.

77. SAP and Workbrain are software products that are capable of interacting in more than one way. One way they can interact is through a process referred to as "batch processing". It was intended that the SSSP solution would involve batch processing using SAP because of the volume of data and the large number of calculations needed to run the Queensland Health payroll. Batch processing is well suited to such tasks because it allows pay data to be collated and transferred to SAP periodically (for example, each night) rather than in real time.

HR ←→ FI INTEGRATION

78. A persistent issue that arose during the QHIC Project concerned the integration of the new SAP Human Resources Application, which IBM was building (**SAP HR ECC5**) with the existing SAP Finance Application version 4.6c used by Queensland Health (**FAMMIS**). This became known as the HR ←→ FI Integration issue or simply "HR ←→ FI Integration".

79. Mr Anthony Price, in his statement to the Commission dated 29 March 2012, comments (at paragraphs 16 to 25) on his understanding of the issues relating to HR ←→ FI Integration. Mr Price appears to suggest (at paragraph 21) that Queensland Health's business requirements for HR ←→ FI Integration were not the subject of scoping for SOW 7. If by this he means it was not the subject of the QHIC Scope Definition (or SOWs 7 and 8), I do

not agree. The QHIC Scope Definition document identifies the issue and identifies the scope of what is and what is not within the work to be undertaken by IBM.

80. By way of background, Queensland Health's Lattice system was, at the commencement of the QHIC Project, interfacing with an older SAP Finance system, FAMMIS, via an interface called PAYMAN. The following is a simplified visual representation of that relationship:

81. PAYMAN was a custom-built piece of code which Queensland Health had previously developed to connect Lattice to FAMMIS.

82. When IBM commenced working on the Lattice replacement solution, it received access to the code developed by CorpTech for the Department of Housing payroll system. That system had a new Human Resources SAP application interfacing with SAP FI, both of which were implemented using a later version of SAP known as ECC5. The following is a simplified visual representation of this interface:

83. The work done under SOW 7 included production of the QHIC Scope Definition. At 21 February 2008, the QHIC Scope Definition version 1.0 agreed to progress the HR ←→ FI Integration on the basis described in the QHIC Scope Definition. That included (as stated at page 66 with similar statements in many places) that "*QH will be responsible for the identification, development, testing and training of all changes required to the FAMMIS, DSS and MAN Series applications as a result of the implementation of modified or introduced integration components required to implement the interim solution*".

84. Under this approach, a modified version of PAYMAN was to be used to take data from SAP HR ECC5 and manipulate it so that it could be sent to FAMMIS in a similar way to the existing Lattice data. The following is a simplified representation of the design so that the new SAP HR ECC5 (that is, the new SAP HR solution to be deployed as part of the SSSP) could interface with FAMMIS via PAYMAN:
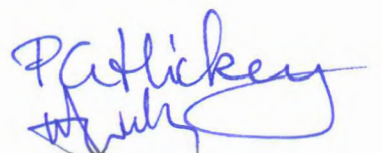
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SAP HR ECC5 ⟹ PAYMAN (modified) ⟹ FAMMIS

85. The QHIC Scope Definition (at page 22) states that a number of FAMMIS finance issues had been raised with the QHIC project team and there had not been sufficient time available to evaluate those issues. Accordingly, the agreed approach adopted in the QHIC Scope Definition was to proceed with the use of PAYMAN.

86. HR ←→ FI Integration was a continual source of issues and changes during the time that I was involved in the SSSP. From my perspective, the main difficulties were not technical but arose because (i) Queensland Health raised concerns in relation to its capacity to modify the PAYMAN to FAMMIS interface, which led it to seek an alternative solution; and (ii) there were issues in relation to the finalisation of the detailed design for the HR ←→ FI Integration interface.

87. Prior to June 2008, Queensland Health was unable to come to a final decision as to which approach to use for the interface between the new SAP Human Resources system and the existing SAP Finance application. The background to this issue is set out in Change Request (**CR**) 60 and various Steering Committee Reports referred to below.

88. By about 23 March 2008, HR ←→ FI Integration had become a delivery issue affecting the QHIC Project schedule. This is reflected in the Steering Committee Report dated 23 March 2008at page 8.

89. On about 4 April 2008, Queensland Health was telling IBM that it might elect to use the Department of Housing HR ←→ FI Integration instead of using PAYMAN and work was undertaken to consider this change (this is referred to in CR 60 as Option B).

90. By about mid-April 2008, the functional design for HR ←→ FI Integration was running about seven weeks behind schedule and was not expected to be ready before 5 May 2008. This was a major threat to the QHIC schedule and I was reporting it as a Critical Priority Issue.

91. By 25 April 2008, a report detailing the HR ←→ FI Action Plan had been presented to the Queensland Health Business Resource Group and the QHIC Steering Committee. The outcome of this was that the PAYMAN approach as set out in the original scope was viable and the alternative approach of a direct interface between new versions of the SAP HR system and Queensland Health's finance systems was not viable (after further work following CR 60 and 61, IBM, CorpTech and Queensland Health ultimately worked out how

to design and operate a viable direct interface). However, in late April or early May 2008, Queensland Health advised that it did not have the technical capacity to make the required changes to PAYMAN.

92.   In order to avoid further delays to the whole of the QHIC Project, I split the project into two streams to allow the completion of the SAP HR Configuration and Build and put the HR ←→ FI Integration work on hold until a decision about the use or otherwise of PAYMAN was made. This was reported in the Steering Committee Report dated 27 April 2008 at page 11.

93.   At this time, there were some technical difficulties with other aspects of the Lattice replacement system, however they were not having a significant impact on the QHIC Project schedule. Rather, it was the continuing discussions about HR ←→ FI Integration which were having a significant effect on the project schedule.

Change Requests 60 and 61

94.   By about early May 2008, it had become necessary to adjust the QHIC Project schedule to take account of the delays up until that point, which had mainly been caused by the HR ←→ FI Integration issues. I drafted Change Request (**CR**) 60 to address the impact of the delay to the SOW 8 "Go Live" date and associated payment milestones.

95.   CR 60 varied SOW 8. Those amendments were set out in version 1.2 of SOW 8 which was attached to CR 60. In summary, those amendments were:

   a.   the inclusion of a schedule delay payment milestone;

   b.   revision of the implementation schedule (endorsed by SSSP Steering Committee and QHIC Steering Committee);

   c.   revision of SOW 8 payment milestones to reflect the schedule changes; and

   d.   the splitting of payment milestones against individual contractual deliverables.

96.   CR 60 incorporated into SOW 8 v 1.2 a revised schedule for the QHIC Project previously approved by the SSSP and QHIC Steering Committees in early June 2008. This schedule was based on a new "Go Live" date of 18 November 2008. This new "Go Live" date and schedule were dependent on certain assumptions, including that there would be no further changes to the BAD. In the event, there were further changes to the BAD (for example, as recorded in CR 113, which introduced BAD v 7.0 and was approved on about 24 September 2008).

97.   CR 60 had an additional cost of $1,887,940 for the QHIC Project, which was due to be paid on 30 June 2008. This is set out at page 7 of CR 60. CR 60 provided compensation to IBM for the additional staff costs of the delays caused by Queensland Health's inability to

provide IBM with clear requirements for the HR ←→ FI Integration aspects of the project. I do not believe that CorpTech would have agreed to such a change had it not accepted that the Government bore significant responsibility for the delays.

98. CR 60 was accompanied by CR 61 which clarified the scope of SOW 8 in light of the agreed approach to HR ←→ FI Integration.

99. At interview, I was asked by the Commission about a reference to version 1.4 of SOW 8 in CR 61. The relevant version of SOW 8 at that time was version 1.2. I believe that a draft version 1.4 was prepared later (in July 2008) but I do not know if it was ever agreed.

100. During my interview, I stated that CR 61 resolved the HR ←→ FI Integration functional design issue by confirming the use of PAYMAN as originally proposed by IBM. Having reviewed the QHIC Solution Design HR/Finance Integration document, I wish to correct this statement. From the time of CR 61, it was agreed that the solution would use a direct interface between SAP HR and FAMMIS. This can be seen in the QHIC Solution Design HR/Finance Integration document (at page 8 of version 0.2, which is dated 19 June 2008, and page 10 of version 0.9, which is dated 6 October 2008 and was approved, with the exception of Annual Leave Central Scheme (**ALCS**), by Queensland Health by 12 October 2008).

101. CRs 60 and 61 were approved and signed off on 27 June 2008, as noted in the Steering Committee Report dated 29 June 2008. This was just prior to my leaving the role as Program Director.

102. At the time I left the role as Program Director, I believed that CRs 60 and 61 had resolved the main obstacles to HR ←→ FI Integration. However, that turned out to be incorrect. Subsequently, issues arose which delayed the completion of the design and introduced additional scope, as set out below.

103. I left the SSSP at about this time, but returned to the QHIC Project as Project Director at the end of August 2008. I started a transition from Mr Bell on or about 24 August 2008 and assumed control of the QHIC Project by about 8 September 2008.

104. On my return, it became clear from my discussions with Mr Bell and my review of relevant documents that debate had continued within Queensland Health regarding the design of the HR ←→ FI integration. This had prevented completion of the application development. The design for the HR ←→ FI integration was to be finalised and agreed by 15 August 2008 (this is set out in the QHIC Project – Revised Plan Slides prepared by Mr Bell dated 12 August 2008).

105. Mr Bell also informed me that the further delays by Queensland Health in relation to HR ←→ FI Integration had contributed to the delay in the QHIC project overall, which had resulted in IBM sending a delay notice to Corptech on 8 August 2008.

106. On or about 12 September 2008, the design for the HR ←→ FI Integration was submitted by IBM (as set out in the Design and Build Team Status Report dated 15 September 2008).

Further Scope Changes

107. A further difficulty at this time was that Queensland Health wanted to add functionality to the HR ←→ FI Integration that had previously been out of scope and was not part of the clarified scope in CR 61. IBM's general approach to such changes is to try to accommodate customer requirements. However, the extension of scope for the HR ←→ FI Integration at such a late stage of the QHIC Project was creating serious scheduling and project delivery difficulties.

108. In broad terms, the design and build stages of a project cannot be completed while the scope of the solution is subject to continuing changes. That the scope of the project was still not locked down at this late stage speaks volumes about the lack of attention being shown by Queensland Health in relation to the QHIC Project. I believe that the QHEST team was equally frustrated by the difficulties of Queensland Health closing out its requirements.

109. On or about 7 December 2008, the IBM Design and Build team was reporting that Queensland Health needed to advise IBM as to how out of scope items would be addressed. This is reported in the QHIC Weekly Report of the same date at page 6.

110. As at 21 December 2008, the QHIC Weekly Report states that HR ←→ FI Integration solution was still not finalised. The Queensland Health HR ←→ FI Integration team had committed to providing a signed off business requirements document by 22 December 2008 that would address the outstanding items. IBM's QHIC team was to review that document and provide an impact assessment as soon as possible (see QHIC Weekly Report dated 14 December 2008). However, even as late as 11 and 18 January 2009, the outstanding HR ←→ FI Integration issues had not been resolved (QHIC Weekly Reports dated 11 and 18 January 2009).

111. By 1 February 2009, Queensland Health, CorpTech and IBM had reached an agreement in principle to consider an IBM proposal to deliver the QHIC Solution with HR ←→ FI Integration changes, although cost allocations for the first pay period of FY2009–2010 (June 16 to June 29) were to be excluded. Revised HR ←→ FI Integration business requirements were approved by the QHIC Release Steering Committee and provided to the QHIC team on 27 January 2009 (QHIC Weekly Report dated 1 February 2009).

112. However, by 15 and 22 February 2009, it had become apparent that the revised business requirements provided to IBM by Queensland Health did not address all of its desired changes to the HR ←→ FI Integration and that design documents for agreed changes had not been signed off by Queensland Health. Accordingly, related changes were at risk of

not being included in the June 2009 release. This is reported in the QHIC Weekly Reports dated 15 February 2009 and 22 February 2009.

113.   I left the QHIC Project in about March 2009. I do not know when or how the remaining HR ←→ FI Integration issues were finally resolved.

WORKBRAIN

114.   In its offer, IBM proposed the use of Workbrain for awards interpretation.

115.   CorpTech and Queensland Health were concerned about the ability of Workbrain to interpret awards as part of an integrated payroll solution for an organisation of the size of Queensland Health. CorpTech required IBM to undertake Workbrain scalability testing in addition to the normal testing that is required to design, build and deploy a software solution. The normal system development life cycle provides for distinct testing stages including unit testing, system testing, integration testing and user acceptance testing. Such testing usually follows design and build.

116.   It is not correct to say (as Mr Price does at paragraph 32 of his statement) that SAP HR and Workbrain had not been implemented together anywhere in the world in the manner that was being proposed by IBM. The Disney Corporation's payroll worldwide is run using SAP HR and Workbrain, including the use of Workbrain for pay rules.

117.   As stated by Mr Price at paragraph 32 of his statement, I arranged for discussions between the IBM Disney team and Queensland Government representatives involved with the QHIC Project. On or about 19 September 2008, various Corptech and Queensland Health representatives participated in a conference with the IBM Disney team. I also participated. The Government representatives included Jeanette Jones, Damon Atzeni, Andra Sams, Jack Van Der Zwan, Shane Morrish and Amanda Doughty. Corptech had earlier provided various questions to the IBM Disney team in writing, which were answered by the IBM Disney team on the call. A particular focus of the discussions was the integration between Workbrain and SAP. A summary of these discussions can be found at Appendix 3 to the QHIC Weekly Report dated 21 September 2008. In that summary, I note that Disney used 45 calc groups. This is a reference to a key feature of Workbrain used to support award interpretation.

118.   Further, in about the middle of October 2008, the IBM solution architects from Disney met with representatives of DETA and Queensland Health in Brisbane to discuss their experience of the use of SAP and Workbrain.

119.   During the period that I worked on the SSSP, two kinds of tests were undertaken in relation to Workbrain. The first was designed to determine whether Workbrain would be able to meet the requirements of agencies with large numbers of employees and system users, with particular reference to Queensland Health (**Workbrain Scalability Testing**). The second was designed to determine if Workbrain would be able to interpret complex

awards (**Workbrain Award Interpretation Testing**). The second kind of testing was not envisaged at the beginning of the SSSP, however the requirement emerged in the context of CR 129 and its successors (including CR 179). I explain these circumstances in a separate section below.

Workbrain Scalability Testing

120.   In the period from about 25 February 2008 to 11 May 2008, IBM carried out the Workbrain Scalability Testing in three tranches.

121.   I was not involved in the technical details of the testing. I was, however, generally aware of the progress of the testing based on advice I received from members of the IBM team who reported to me as Program Manager. My understanding was that the purpose of the testing was to enable CorpTech to make a "go/no-go" decision about whether to proceed with a solution including Workbrain.

122.   Test 1 of the Workbrain Scalability Testing was completed by 25 February 2008 and Test 2 was completed by 16 March 2008. These test results were positive and demonstrated scaling. This is referred to at page 4 of the Steering Committee Report for 25 February 2008 and page 8 of the Steering Committee Report for 16 March 2008.

123.   Test 3 was significantly delayed because CorpTech was unable to provide infrastructure to carry out the tests. By 9 March 2008, this failure meant that IBM had to change the scope of the testing to run it on alternate, smaller infrastructure. This is referred to at page 4 of the Steering Committee Report for 9 March 2008. By 16 March 2008, the inability of CorpTech to provide the infrastructure, or to say when it would be available, posed a risk to the whole of the SSSP because it was required for preparation for go live, including cutover and testing (Steering Committee Report, dated 16 March 2008 at page 8).

124.   The initial run of test 3 for Workbrain scalability was performed on 17 April 2008, with positive results. However, the "go/no-go" decision regarding Workbrain was pushed back to 13 May 2008. I do not recall why this occurred, although I believe that some tests may have been rerun to address issues that had arisen during testing.

125.   In any event, Workbrain Scalability Testing test 3 was ultimately completed by 11 May 2008 and was successful. This is documented at page 7 of the Steering Committee Report dated 11 May 2008.

126.   By 25 May 2008, the Workbrain Scalability Assessment had been completed and accepted by CorpTech, as referred to in the Steering Committee Report of that date.

Change request 179 and associated testing

127.   The second kind of Workbrain testing, Workbrain Award Interpretation Testing, took place in the context of Change Request (**CR**) 179 and its predecessor CRs (129, 174 and 177).

CR 179 also included a requirement for Payroll Performance Testing. CR 179 and its predecessors were drafted to vary SOW 8.
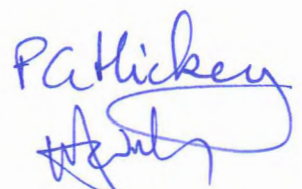
128. During my period as Program Director, on or about 22 June 2008, I had reported an issue to the Steering Committee in relation to the risk (thereafter designated as RS-00155) that the QHIC Workbrain/SAP Payroll processing solution may not be able to be executed within the available payroll window. This is referred to at page 13 of the Steering Committee Report dated 22 June 2008.

129. After I returned to the SSSP as Project Director for the QHIC Project in late August 2008, CorpTech and Queensland Health were becoming increasingly concerned about the ability of the system to run in the payroll window. This ability depended in part on the capacity of Workbrain to perform complex award interpretation operations and then export data to SAP regularly and, in particular, prior to the final pay run batch process.

130. I was aware that, on or about 8 August 2008, Mr Doak had written to Barbara Perrott, Executive Director of CorpTech, to formally advise that the planned "Go Live" date of 17 November 2008 would not be achieved.

131. On about 2 September 2008, IBM received CorpTech's reply to the Delay Notice.

132. This exchange led to negotiations between CorpTech, Queensland Health and IBM about how to move forward with SOW 8. These negotiations were later documented in a memorandum of understanding (**MOU**) between the parties.

133. I was concerned to ensure that the contractual timeframe for the QHIC Project reflected an achievable "Go Live" date consistent with the current status of the project. I was therefore seeking to negotiate an appropriate change request with CorpTech to provide for a new "Go Live" date. During the MOU negotiations, Queensland Health demanded the inclusion of additional testing requirements. It was understood by the parties that the "Go Live" date would be changed.

134. Around the time of the negotiations that led to CR 129, Terry Burns told me that if IBM did not pass these tests the contract would be terminated. I do not recall when this was said but I believe that it was at a meeting in about September 2008. At that time, Mr Burns was the Program Director for the QHEST project and, in that capacity, was managing Queensland Health's involvement in QHIC.

135. The testing requirements were incorporated into CR 129 and (as testing was not carried out within the timeframe envisaged by CR 129) later carried across into CRs 174, 177 and 179. Each of these later CRs substantially adopted the wording of CR 129, except that they extended the timeframe for the testing. Each new CR (eg 174, 177 and 179) was prepared because the previous CR had effectively lapsed, although for practical purposes we regarded them as extensions of CR 129.

136. CR 129 varied the "Go Live" date for the QHIC Project (for the purposes of SOW 8) to 30 June 2009. However, the CR was expressed as being subject to a "condition precedent" in relation to testing. If the tests were not passed, CR 129 would be void ab initio and thus there would be no change to the "Go Live" date under SOW 8. I regarded this as an odd arrangement because everybody understood that the program could no longer be delivered by November 2008 and therefore leaving the date unchanged was not a realistic option. I felt that IBM had little option but to accept CR 129 and perform the tests required by CorpTech and Queensland Health.

137. Prior to early November 2008, IBM agreed to do additional testing on Workbrain to confirm that it could interpret Queensland Health's awards. On about 3 November 2008, IBM agreed with CorpTech the detailed test criteria for the Workbrain award interpretation testing. These criteria became an enclosure to CR 129 and the later related CRs.

138. Change Request 129 was signed on or about 11-12 November 2008.

139. Workbrain Awards Interpretation Testing was undertaken by IBM through November and December 2008. QHEST observed those tests. On or about 18 December 2008, Queensland Health signed off on a report confirming that the testing had been successful and that, although there had been some errors, the results were within the acceptance criteria. I note that the report is stated to be an *approval that IBM have passed the Go/No Go checkpoint in relation to the Workbrain Award Interpretation*". The report was endorsed by a number of Queensland Health signatories.

140. On or about the same day, the Queensland Health testing report was also sent to Lynelle Briggs at CorpTech. This email was copied to me.

Payroll Performance Testing

141. Queensland Health had a fortnightly pay cycle. A key business requirement for the Queensland Health payroll system was that it be able to run each fortnight within a defined pay window.

142. Change Request 129 also included a requirement that IBM carry out testing of the payroll for Queensland Health to show that it could meet Queensland Health's performance targets, which were as follows:

   a. The 7th day (First Sunday) process to be completed within a window of 12 hours.

   b. The Pay Monday process to be completed within a window of 8 hours.

143. For the purpose of this test the targets were reduced to exclude estimated time taken for retrospective pay adjustments, which were not being run as part of the test. The targets were reduced to 8 and 6 hours respectively.

144. This was referred to as the Payroll Performance Test.

145.   I spent a lot of time focussed on the Payroll Performance Test. IBM had a specialist performance tester, Adrian Djatschenko, who organised and executed the Payroll Performance Test.

146.   During the preparation and execution of the Payroll Performance Testing and subsequently, there were numerous discussions between IBM, QHEST and Queensland Health's Shared Services Provider (**QHSSP**) over the organisation and execution of payruns in the fortnightly pay cycle.   The form and content of the payruns were adjusted frequently to accommodate improvements to payrun execution.   These changes were a collaborative activity between IBM, QHEST and QHSSP.

147.   IBM took the data for the full 70,000 employee payrun and ran it through the process on the platform that was to be used by Queensland Health for the new system. This testing was completed in mid-December 2008.

148.   By 19 December 2008, the First Sunday target of 8 hours was met, however, the Pay Monday target of 6 hours was missed by about 29 minutes, using a modified process. I believed and I understood that Mr Burns agreed that, if we added more hardware and continued tuning the system, the payroll would run within the relevant windows. Therefore the system had performed well enough to continue with the project.

149.   I attended a meeting with QHEST on about 22 December 2008. At this meeting Mr Burns, Mr Price, Ms Jones and Ms Doughty told me that they considered that the system had passed both the Workbrain Award Interpretation and Payroll Performance Testing sufficiently well for QHEST to recommend that the Project continue.

150.   At this time Queensland Health and IBM were in agreement that the payroll system would be able to run within the window, even though strictly the system had not passed the Payroll Performance Testing. CorpTech, however, had a different view, which I only became aware of at the QHIC Steering Committee meeting of 23 December 2008.

QHIC STEERING COMMITTEE MEETINGOF 23 DECEMBER 2008

151.   On about 23 December 2008, I attended a QHIC Steering Committee meeting.

152.   This meeting is referred to at paragraphs 59 to 61 of Mr Beeston's statement. However, Mr Beeston does not explain the circumstances of the testing and in particular the context of CRs 129, 174, 177 and 179.

153.   Given that the QHIC solution had passed the Workbrain Award Interpretation Testing and substantially met the Payroll Performance Testing criteria, I expected that IBM would be advised that it had satisfied the conditions of CR 179 at the 23 December 2008 meeting. This expectation proved to be wrong.

154. At the meeting, I was informed by CorpTech that IBM had failed to pass the Payroll Performance Testing. I was told that the condition precedent in CR 179 had not been met and therefore the CR was void but that IBM was to continue working on the project.

155. I do not recall saying *"what about the payments?"*, as is suggested at paragraph 61 of Mr Beeston's statement of March 2013. I believe that I asked about the status of the revised SOW 8 Payment Schedule, which was provided for in CR 179 and its predecessor CRs.

156. I regarded CorpTech's position in relation to CR 179 as counter-productive in that it was working against the interests of Queensland Health, which was satisfied with the testing.

157. On or about 24 December 2008 I received an email from Louise Chiconi at Corptech, enclosing a Deliverable Acceptance Sheet for the Completion of Payroll Processing Performance Testing and a copy of a document entitled Corptech Service Management Response to QHIC CR 179 Test Report. The latter report set out what Corptech claimed to be the bases upon which IBM was found not to have passed the Payroll Testing.

158. On the same day, I received an email from Steve Mitchell. The email confirmed CorpTech's position that it would not accept the deliverable in relation to IBM's successful completion of the Workbrain Award Interpretation tests because the report had not been prepared by IBM.

159. A formal letter was sent by Mr Hood to Mr Doak on 24 December 2008 reiterating CorpTech's view that IBM had failed the CR 179 tests.

160. My QHIC team and I took minimal leave over Christmas and kept working to resolve technical issues. At this time, we did not have a "Go Live" date or an agreed schedule to work to.

161. At that time, I believed that we were about four or five months away from "Go Live". The practical upshot of the Government's stated position was that CR 179, including the agreed change to the "Go Live" date to 30 June 2009, was no longer in effect. I was therefore back to square one in terms of trying to agree an achievable "Go Live" date with CorpTech.

162. On 4 January 2009, I sent an email to Mr Doak entitled "QHIC Project Status update - the Good, the Bad and the Ugly", in which I summarised the issues in relation to the QHIC Project over the previous two weeks.

MY EXIT FROM THE SSSP

163. In my email to Mr Doak of 4 January 2009, I referred to a scheduled Go Live date in May 2009. I explained that if there was slippage beyond that date that I did not plan to continue as Project Director because I had scheduled long service leave and I intended to take it.

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164. During January 2009, it became clear to me due to continued issues in relation to the project, including delays affecting user acceptance testing, that the May 2009 Go Live date was compromised. I discussed this matter with Mr Doak and we agreed on a succession plan involving Mr Gower.

165. In or about March 2009 I left the SSSP and went on long service leave. I was replaced as Project Director by Mr Gower.

166. At the time that I left the project, it was entering UAT and, despite some delays, appeared to be on track to "Go Live" in about June 2009.

167. I refer to paragraphs 15 and 16 of the statement of Brett Cowan dated 16 April 2013. Mr Cowan states that UAT is not designed or intended to reveal defects, particularly not functional or integration defects. I disagree. The purpose of UAT is to test compliance against requirements and very often exposes defects against the stated requirements, some of which are genuine defects.

168. In relation to Mr Cowan's claim at paragraph 16, I note that the QHIC project had a Master Test Plan which was agreed and signed off. Similarly, there were agreed UAT entry criteria, which were met before entry into UAT 1, in January 2009. To the best of my knowledge, systems and integration testing was performed properly prior to entry into UAT 1. The results of the system testing are recorded in the QHIC Test Completion Report.

169. I have been asked by the Commission to identify problems in relation to the QHIC Project. The main difficulties I observed during my time working on the SSSP were as follows:

   a.   DETA and Queensland Health did not want to be involved in the SSSP;

   b.   the contract management arm of CorpTech, the SPO, was unnecessarily adversarial in its approach to managing the contract. The SPO was not responsible for the delivery of payroll services to Queensland Health employees and had the luxury of being adversarial in circumstances where it would not be held directly responsible for associated delays. A key feature of the issues leading to delay on IT projects is that typically no single party is fully responsible for the cause of delay. In my experience, the only way to manage large projects where delays are being encountered is to work cooperatively towards an outcome; and

   c.   on the occasions when the project was delayed and the "Go Live" date extended, Queensland Health took this as an opportunity to expand the scope of the project.

170. I accept that the delivery of the SSSP encountered difficulties. In my opinion, IBM underestimated the effort required to manage the relationship with the multiple arms of CorpTech. This was particularly apparent with the IBM Program Delivery Office which had to be expanded beyond its original estimate to be able to respond to the increasingly

complex and difficult work environment with CorpTech. Ultimately this led to IBM appointing a full-time commercial manager.

171. I wish to make a few further comments in relation to contract management.

172. At paragraph 32 of Mr Campbell's statement, he says that the vendor management team was not allowed to manage the contract in the way that it normally would "as per normal business practice". I have never encountered a contract management team that behaved as aggressively as the CorpTech team did. For example, on 8 May 2008, Mr Beeston served a contract notice (Contract Notice No 4) on IBM because a team leader asked him about the status of a CR. The team leader had said to Mr Beeston that he was on a time based contract and would not be able to continue work without the CR.

173. I refer to paragraph 16 of the statement of Christopher Bird signed on 5 April 2013. As Program Director, I was ultimately accountable for the management of the contract on behalf of IBM. In my experience it is not uncommon to run large projects without a dedicated contract manager.

174. I refer to paragraphs 18 and 19 of Mr Bird's statement. I simply note that the SDA sometimes failed to comply in substance with its obligations in relation to acceptance of deliverables. I recall that on occasions the SDA rejected deliverables on the fifth day, providing only a bare rejection and then sending proper comments some time after the defined five day period.

175. I refer to the claim in paragraph 22 of Mr Bird's statement that I challenged him to show me a contractual reference to IBM being the prime contractor. I knew perfectly well that IBM was the prime contractor. I do not recall having a conversation as described by Mr Bird in relation to "at risk" fees. However, I had many conversations with Mr Bird, Mr Beeston and Mr Campbell in relation to this topic.

176. I do not recall the incident referred to by Mr Bird in paragraph 57 of his statement. I note that CR 60 (along with a number of other CRs) was approved by Ms Perrott, Executive Director of CorpTech, whose signature was witnessed by Mr Campbell. As far as I can recall neither of them insisted that CR 60 be considered by Mr Bird before it could be approved. In any event, I note that a draft version of CR 60 and the revisions of SOW 8 were sent to Vendor Management on 25 June 2008, requesting endorsement by 27 June 2008.

Signed: *P G Hickey*

Date: 29/4/13

Witness: *[signature]*

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