



Department of the Premier & Cabinet

**Queensland Health Payroll
Implementation Review
Interim Report – Stage 2**

18 May 2010

This report contains 11 pages

QLDGDPC-10 Final Report 1810-BYD_8588200_2

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1 Scope and Background

The purpose of this Report is to summarise the work undertaken to date on the review of the Queensland Health Payroll Implementation Project as per our Engagement Letter dated 12 April 2010, and subsequent amendments dated April 29, 2010 and May 12, 2010 (see below for further details).

1.1 Terms of Reference

The scope of the Review includes 3 Stages of activity, as outlined in the Project Terms of Reference:

1. *Readiness for Payroll 3 and 4* – consider and challenge the processes, procedures and metrics being adopted by Queensland Health to ensure that Pay Cycle 3 and Pay Cycle 4 (under the new system) proceeds within an acceptable range of accuracy and timeliness for a payroll of this scale and complexity (from both a process and technology perspective). Provide advice on the most appropriate project governance and management arrangements in the short to medium term.
2. *Post Implementation Review of Old Health Payroll Implementation* – undertake an independent profile of the project, covering:
 - a. *Project governance and management* – including project team management; project communication; vendor management; roles, responsibilities and accountabilities, including the appropriateness of certification by all parties to rollout made in March 2010; planning; monitoring; risk management and project documentation.
 - b. *Systems design and technology support* – including system design; testing; data management; and implementation go-live readiness.
 - c. *Change management and business readiness* – including change management and business process/IT system alignment; business communication; training; end user expectation and involvement in IT systems design.
3. *Advice on Implications for broader whole of Government implementation of the proposed solution* – informed by the results of the previous stages and the lessons learned, provide advice on improvements that can be made to the planning and management of payroll system implementations in other Queensland Government Departments.

The Stage 1 Report was completed and delivered to the Department of the Premier & Cabinet on May 8, 2010.

1.2 Changes to the Terms of Reference

The Terms of Reference have been subject to the following changes:

- Letter dated 29 April 2010 requesting that KPMG’s work be extended to include readiness for Pay Cycle 4. Accordingly, work has only just commenced on Stage 2 with interviews being conducted with a limited number of key stakeholders over the last week.
- Letter dated May 12, 2010 noting that the Auditor-General is completing an audit of the Queensland Health Payroll Implementation and has raised concerns with the Department of the Premier & Cabinet in relation to overlaps between the KPMG Terms of Reference and the scope of his own audit. Accordingly, the KPMG Terms of Reference have been revised and at this stage no further work will be undertaken by KPMG in respect of Stages 2 and 3.

1.3 Interim Report Stage 2

This Report summarises the work undertaken to date as part of Stage 2 – Post Implementation Review of Qld Health Payroll.

We stress that due to the limited work undertaken we have made high level observations only, and these would need to be further validated through further consultation and review of project documentation.

It was agreed with the Steering Committee that the timeframe for the Stage 2 Review should be from January 2008 through to go-live in March 2010.

2 Approach

2.1 Approach

We propose a three step approach to Stage 2:

1. Consultation with key stakeholders involved in the project including:

- Queensland Health:
 - the QHIC (Queensland Health Implementation of Continuity) team who were the project team with responsibility for managing the project;
 - the QHEST team (Queensland Health Enterprise Solutions Transition) who provided project management, business transition and functional (HR and Finance) support to the project;
 - the Payroll Stabilisation Project team (PSP);
 - The Shared Services Provider and Hubs who have responsibility within Queensland Health for the processing of payroll; and
 - A range of users drawn from across Queensland Health.
- CorpTech in their role as contract managers and owners of the whole of government payroll solution;
- the Department of Public Works;
- IBM in their role as systems integrator and prime contractor;
- the Unions (representing Queensland Health staff); and
- the Department of the Premier & Cabinet.

The purpose of these interviews will be to understand:

- The contractual framework under which the project was completed;
- The chronology of the project including key milestones and decisions;
- The role the various stakeholders played throughout the project;
- Activities completed through each stage of the project – design, build, test and deployment of the payroll solution; and
- Observations regarding the issues being experienced as a result of the implementation, and lessons learned.

2. **Data Collection and Analysis** – we will be seeking to identify and review key project documentation to understand the chronology of the project and the key decisions taken throughout the project. This will be used to validate observations made through the consultation, and will also inform our enquiries.
3. **Reporting** – including drafting the report for discussion with key stakeholders and finalising upon receipt of feedback. The report will cover off our observations about the scope in the 3 areas identified in the Terms of Reference:
 - Project governance and management;
 - Systems design and technology support; and
 - Change management and business readiness.

We will also provide feedback on lessons learned, and implications for similar projects being undertaken across Government.

2.2 Activities undertaken to date

2.2.1 Consultation

As noted in Section 1 our consultation has been limited. We have met with the following stakeholders to date:

Queensland Health

- Deputy Director-General Queensland Health – Payroll Stabilisation Project Executive Project Director;
- Deputy Director-General Corporate Services;
- Executive Director Corporate Services;
- QHIC SAP Integration Leader;
- HR Liaison Specialist, QHEST; and
- Business Integration Manager QHEST.

CorpTech and the Department of Public Works

- Associate Director-General Department of Public Works; and
- CorpTech – members of the senior management team who have responsibility for contract management and support of the whole of government payroll solution.

2.2.2 Project Information Reviewed

We have commenced the task of identifying and collecting relevant project information. At this stage we have not reviewed this documentation in detail. As we progress through the consultation phase we will be collecting further documentation. The documentation tends to fall into the following categories:

- Project documentation – including:
 - Contractual documentation including Statements of Work and Change Control documentation;
 - QHIC Board and Project Directorate meeting agendas, minutes and supporting documents; and
 - Strategies and reports in relation to key phases of the project – design, build, testing, business transition, and go-live.
- Supporting reports and analysis undertaken throughout the project by external parties; and
- Correspondence and briefing notes between the parties.

3 Summary Observations

Given our limited consultation we have reported the issues at a high level only, and would be the subject of further analysis through discussion with stakeholders and review of relevant documentation.

The interviews, as noted in Section 2.1, have been predominantly with stakeholders from across Queensland Health. We have also had the opportunity to work with the Queensland Health PSP team through Stage 1. The issues, as represented below, therefore focus more on the role that Queensland Health has played in the project. We have not as yet had the opportunity to have detailed discussion with CorpTech and IBM to comment on their role in more detail.

Scope	Initial Observations	Areas for Further Investigation
1. Project Governance and Management	<ul style="list-style-type: none"> • <i>Governance</i> – The project governance structure improved with changes made in June 2009, but prior to this there were a number of changes and it has been reported that accountabilities and responsibilities of the respective groups (Queensland Health, CorpTech and IBM) were not always clear. • <i>Project Leadership</i> – There were also a number of reported changes in the team composition over the course of the project including changes in critical Project Manager roles (both Queensland Health and IBM). This had an impact on project knowledge and the smooth functioning of the project. • <i>Relationships</i> – Stakeholders reported significant challenges in the relationships between the Qld Health, CorpTech and IBM. This was reported to have impacted on the management of the project and the delivery of its outcomes. • <i>Contract</i> – There were different interpretations of the original contract that was negotiated with IBM in relation to the scope of what was to be delivered. This led to a number of scope changes and impacted on both project timelines and project cost. • <i>Project Management Methodology</i> – Questions were raised regarding the project methodology which was used to manage the project. 	<ul style="list-style-type: none"> • <i>Governance Structure</i> – More detailed analysis of the changes in governance structure over the life of the project and how effectively these were communicated. • <i>Statements of Work (SOW)</i> – More detailed analysis of the various and change requests throughout the life of the project to ascertain the impact on the overall outcome. • <i>Project Communication</i> – Analysis of the project communications documents used throughout the project. This will be used to form a view as to the adequacy of project communication and whether this may have impacted on the understanding of roles and responsibilities, and understanding of project scope and project status. • <i>Project Management Methodology</i> – Review of project documentation to assess whether the agreed project methodology was followed, and how project progress was tracked and reported. • <i>Certification</i> – Detailed review of the documents used for certification by the Project Board and Project Directorate in support of the Go-Live decision that was taken in March 2010. This would also include detailed review of the documentation in relation to the final stage gates through which the project passed prior to Go-Live. We would also focus on the reporting of key issues, risks and the mitigation strategies.

Scope	Initial Observations	Areas for Further Investigation
<p>1. Project Governance and Management (cont'd)</p>	<ul style="list-style-type: none"> • <i>Go-Live decisions</i> – We understand that a number of Go Live decisions were delayed, which potentially impacted on the readiness of the business for the Payroll Solution. 	<ul style="list-style-type: none"> • <i>Go-Live decisions</i> – We would also review the decisions that led to the changing of the Go-Live dates.
<p>2. Systems Design and Technology Support</p>	<ul style="list-style-type: none"> • <i>Business Requirements</i> – It does not appear that the Business requirements for the new HR payroll system (i.e. the "to be" processes) were clearly understood by all key stakeholders. These requirements formed the basis of the functional design of the new system. Responsibility for the preparation of the business and functional requirements were shared across Queensland Health and IBM. • <i>Testing</i> – Interviews with a variety of sources have raised concerns about the level and comprehensiveness of the testing performed on the system. Testing responsibilities were shared across Queensland Health, CorpTech and IBM. • <i>System Performance</i> – Post Go-Live feedback was provided by users through a number of channels that the performance of the system (WorkBrain and SAP) has not met their expectations. Furthermore it was considered that the speed of the system was impacting on staff productivity. This issue is being addressed by CorpTech and IBM. • <i>Data Migration</i> – The impact of the volume of data not migrated electronically as part of the data migration process was not well understood by all key stakeholders. 	<ul style="list-style-type: none"> • <i>Business Requirements</i> – Obtain a better understanding of the process to develop and articulate the business requirements for the new system, and the associated roles and responsibilities. This would include understanding the consultation process undertaken to develop the requirements, and how these were validated with key users. Specifically, this would include the approach taken to determine the level of access required to SAP and WorkBrain, and how these systems were to be configured to support the Queensland Health business requirements. • <i>Testing</i> – Review in detail the strategies and plans employed to testing of the system throughout the entire project. This would include reviewing the results of the testing process, how these results were reported, and the actions taken to address any issues noted. This would cover all testing activities across the project. • <i>Data Migration</i> – Obtain a better understanding of the process to cleanse and migrate data to the new HR payroll system, and the associated roles and responsibilities.

Scope	Initial Observations	Areas for Further Investigation
<p>3. Change Management and Business Readiness</p>	<p>Stakeholders raised a number of issues in relation to business readiness, and the issues being experienced as part of the implementation (backlog issues, rostering issues) support these concerns being raised. These are noted below:</p> <ul style="list-style-type: none"> • <i>Project Visibility</i> – The project was not seen to have broad visibility across Queensland Health, outside those staff directly involved in the project. • <i>Project Focus (cont'd) – Project Focus</i> – The project was seen to be very focused on the SSP and payroll areas and not on staff in Districts. The initial focus for the project was a “like for like” replacement and by containing the change to only the SSP this was seen to be an effective way to manage the change. However, in preparation for QHIC Stage 1 there were a number of process changes which were implemented and these do not appear to have been effectively embedded in Queensland Health prior to Go-Live. • <i>Business Transition</i> – A business transition strategy was developed by the project team to manage the engagement of people across Queensland Health, and to assist in the communication of changes. Concerns have been raised about the effectiveness of this approach. Issues experienced with the rostering process post Go-Live provide evidence that staff were not aware of the processes which need to be followed and this had an impact on the size of the backlog and contributed to the no pay outcomes in P1 and P2. 	<ul style="list-style-type: none"> • <i>Change Management</i> – Review in more detail the change management and business transition approach: <ul style="list-style-type: none"> - sponsorship from key stakeholders. - involvement from across QH. - Involvement of CorpTech and IBM in the support of the change management approach. - communication approach adopted. - change impact analysis. - feedback from users through implementation planning and how this was addressed (including consideration of feedback from user acceptance testing). - resourcing of this workstream and key activities undertaken. • <i>Training</i> – Review the approach to development and delivery of training to support new users, and to introduce the new systems across Queensland Health. This would include reviewing the materials developed, looking at the training roll out strategy and the attendance at these sessions as well as reviewing any training related information prepared to support the roll out of the new system.

Scope	Initial Observations	Areas for Further Investigation
3. Change Management and Business Readiness (cont'd)	<ul style="list-style-type: none"> • <i>Case Management</i> – The business readiness approach did not include support arrangements for managing problems and issues reported with the payroll. This is evidenced by the issues which have been reported through P1-P4, and Queensland Health’s ability to quickly respond to these issues. • <i>Workload and Resources</i> – the initial experience has shown that Queensland Health have underestimated the workload requirements to oversee effective implementation. 	<p style="text-align: center;">-</p>

4 Disclaimers

Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of Queensland Health but only to the extent of the sample surveyed, being the Department of Premier and Cabinet's approved representative sample of management and personnel / stakeholders. Any projection to the wider management and personnel / stakeholders is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Department of Premier and Cabinet and Queensland Health management and personnel / stakeholders consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Scope Section and for the Department of the Premier and Cabinet's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This report has been prepared at the request of the Department of the Premier and Cabinet in accordance with the terms of KPMG's engagement letter dated 12 April 2010. Other than our responsibility to the Department of the Premier and Cabinet, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

We understand that this report may be provided to third parties. Third parties are not a party to our engagement letter with the Department of the Premier and Cabinet and, accordingly, they may not place reliance on this report.

Third Parties acknowledge that they are not a party to the engagement letter dated 12 April 2010 whereby KPMG has been engaged by the Department of the Premier and Cabinet to undertake a review of the Queensland Health HR Payroll Implementation, and to report its findings to the

Department of the Premier and Cabinet. Our engagement was neither planned nor conducted in contemplation of the purposes for which third parties have requested the Status Report.

Accordingly, third parties acknowledge that they may not place reliance on the results and findings contained in the Status Report. KPMG shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of any reliance by third parties on the Status Report.

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