



Access Request  
 CAB Dec No. 9639  
 Copy No. 128 22/11/2010  
 Leader of the Opposition  
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	Item No: 5412T14260	
	Date: 31/10/12	
	Member: Mrs Palaszczuk	
<input type="checkbox"/> Tabled	<input type="checkbox"/>	<input type="checkbox"/> Tabled, by leave
<input type="checkbox"/> Incorporated, by leave	<input type="checkbox"/>	<input type="checkbox"/> Remainder incorporated, by leave
Clerk at the Table:		

SECRET

CABINET DECISION

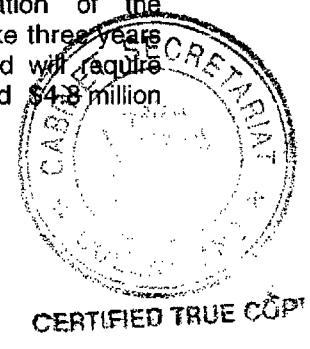
Brisbane, 22 November 2010

Decision No.: 9639 (Submission No.: 7698)

TITLE: Queensland Government Response to the PricewaterhouseCoopers Review of Shared Services and the Ernst & Young Review of Queensland Health's payroll and rostering solutions

CABINET noted:

1. The Cabinet Budget Review Committee submissions (refer Attachments 1 and 2 to the submission).
2. The Cabinet Budget Review Committee decision regarding the PricewaterhouseCoopers Report, to:
  - i. approve the recommendations of the PricewaterhouseCoopers Shared Services Review except for the recommendation pertaining to the Queensland Government Chief Information Officer;
  - ii. approve the Director-General, Department of the Premier and Cabinet as the Executive Sponsor for shared services to ensure a common consistent understanding of the shared services vision and report on the status of shared services to Cabinet on a six-monthly basis;
  - iii. approve the establishment of a new Shared Services CEO Sub-committee chaired by the Director-General, Department of the Premier and Cabinet to have oversight of the delivery, performance and improvement of core finance and human resources/payroll services and manage the transition to the new shared services environment;
  - iv. approve the Director-General, Department of Public Works to be the accountable officer to lead the implementation through the creation of a Transition Project Office, with regular updates on progress to be provided to the Shared Services CEO Sub-committee and Cabinet Budget Review Committee;
  - v. note that initial planning indicates that implementation of the PricewaterhouseCoopers Review recommendations will take three years commencing in 2010-2011, completing in 2012-2013 and will require additional funding of \$19.9 million (excluding GST) and \$4.8 million (excluding GST) per annum thereafter;



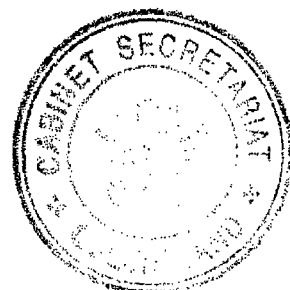
**Decision No .:9639**

- vi. note that the \$19.9 million (excluding GST) and \$4.8 million (excluding GST) includes:
    - a. establishment of a new technical environment for Queensland Health estimated at \$12.0 million (excluding GST) over three years and \$3.0 million (excluding GST) per annum thereafter; and
    - b. implementing the enhanced governance arrangements and capability to support the shared services initiative estimated at \$7.9 million (excluding GST) over three years and \$1.8 million (excluding GST) per annum thereafter.
  - vii. approve that the funding source for the recovery of the \$7.9 million (excluding GST) costs over three years and \$1.8 million (excluding GST) ongoing will be a levy charged to all government agencies by Queensland Treasury;
  - viii. note that detailed implementation planning will be undertaken in consultation with Queensland Treasury, the Department of Education and Training, and Queensland Health with a further submission prepared for Cabinet Budget Review Committee consideration in March 2011;
  - ix. note existing and planned activities to be progressed concurrently with the implementation of the PricewaterhouseCoopers recommendations include the machinery-of-Government systems changes and the replacement of high risk payroll and finance systems such as the Department of Community Safety human resource/payroll system and Queensland Treasury human resource/payroll and finance systems; and
  - x. note there are significant existing financial, funding and asset matters in addition to those arising from the implementation of the PricewaterhouseCoopers Review recommendations, that will impact the Department of Public Works, the Department of Education and Training, and the Department of Health. These matters will be addressed in a further submission to the Cabinet Budget Review Committee in March 2011.
3. The Cabinet Budget Review Committee decision regarding the Ernst & Young Report, to:
- i. note and accept the recommendations of the Ernst & Young Review of payroll and rostering solutions for Queensland;



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- ii. approve continuation of the Payroll Implementation Program to ensure payroll processing continues while implementing the Ernst & Young recommendations;
  - iii. approve the continuation of the approximately 400 additional payroll staff to ensure processing of the pay while the Payroll Foundation Program is implemented;
  - iv. approve the commencement of a Foundation Project, as recommended by the Ernst & Young Review, with the first deliverable to be a project plan and budget to be submitted to CBRC for consideration by late January 2011;
  - v. note that the estimated costs of the Payroll Implementation Program, additional payroll staff and Payroll Foundation Program are:
    - a. Payroll Implementation Program: estimated cost of \$46.6 million over two years with \$31.2 million in 2010/11;
    - b. Additional Payroll Staff: estimated cost of \$107.1 million over three years with \$46.0 million in 2010/11; and
    - c. Payroll Foundation Program: estimated cost of \$55.0 million (80% confidence estimate) over three years to 2012/13.
  - vi. note that a funding strategy for the Payroll Implementation Program, additional payroll staff and Payroll Foundation Program will be developed by Queensland Health in consultation with Queensland Treasury; and
  - vii. approve that the re-configured payroll systems be developed and implemented in a dedicated Queensland Health environment managed by CITEC with direct contractual relationship to Queensland Health.
4. That the Department of Public Works will consult with the Department of the Premier and Cabinet to ensure there is appropriate contestability between the role of the Queensland Government Chief Information Officer and the accountable officer for the rest of Government shared service delivery.



CERTIFIED TRUE COPY

**Decision No .:9639**

CIRCULATION: Implementation Responsibility

Nil

Departmental Records

Department of the Premier and Cabinet and copy to the  
Premier and Minister for the Arts


Department of Health

Treasury Department

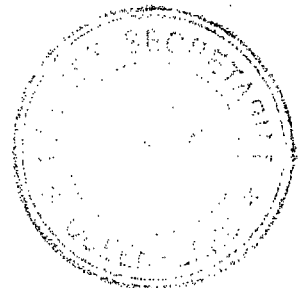
Department of Public Works

Perusal and Return

All other Ministers



Acting Cabinet Secretary



SECRET



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Leader of the Opposition  
Official Copy - 30/10/2012

**SECURITY CLASSIFICATION "A"**

**INFORMATION SUBMISSION**

**COVERSHEET**

**TITLE**

Queensland Government Response to the PricewaterhouseCoopers Review of Shared Services and the Ernst & Young Review of Queensland Health's payroll and rostering solutions.

**MINISTER**

Premier and Minister for the Arts

**OBJECTIVE**

That Cabinet note the attached Cabinet Budget Review Committee submissions in relation to the PricewaterhouseCoopers and Ernst & Young Reports have been considered by the Cabinet Budget Review Committee.

**SUMMARY**

On 29 June 2010, the Auditor-General tabled "Report to the Parliament No. 7, Information systems governance and control, including the Queensland Health Continuity Project Implementation".

The Report raised concerns regarding project governance in relation to implementation of the Queensland Health payroll system, including a lack of clarity regarding the roles and responsibilities of accountable officers, a range of 'post go-live' issues including rostering system performance and the complexity of Queensland Health Award structures. The Report also raised concerns with respect to ICT governance more generally and included seven recommendations for Government consideration.

In response to the Auditor-General's Report, the Government committed to implementing all of the Report recommendations and released a five-part Government Response Plan including a review by Ernst & Young of the decision to implement Workbrain and SAP in Queensland Health and a review of the shared services model by PricewaterhouseCoopers.

Both Reports were provided to the Government in late September this year.

The Ernst & Young Report supports the continued use of SAP as an appropriate payroll solution and the Workbrain rostering system. It recommends re-implementing the payroll system as a separate environment while maintaining the current system with the support of the Payroll Improvement Program. Once the new system is fully re-implemented, it is recommended that Queensland Health transition to the new standalone environment; without the need for ongoing support from CorpTech or large numbers of additional payroll staff.

While this strategy is considered the most effective, efficient and lowest risk option, it requires continuation of the Payroll Improvement Program until mid-2011 at a cost of \$46.2 million, additional payroll staff until December 2012 at an estimated cost of \$107 million over three years and re-implementation of SAP and Workbrain, as part of a Payroll Foundation Project, at an estimated to cost of \$55 million over three years.

The PricewaterhouseCoopers Report supports the continuation of the shared services model and recommends creating separate shared service providers, within Queensland Health, the Department of Education and Training and the Department of Public Works, servicing the rest of Government. Proposed new governance arrangements include the Director-General of the Department of Premier and Cabinet assuming the role of sponsor for the whole of government shared services initiative and the creation of a Shared Services CEO Sub-committee of the CEO Leadership Team.

The PricewaterhouseCoopers Review recommendations will take three years to implement commencing in 2010-2011, completing in 2012-2013 and will require additional estimated funding of \$19.9 million (excluding GST) and an estimated \$4.8 million (excluding GST) per annum thereafter.

On 18 November 2010, Cabinet Budget Review Committee considered and approved a submission regarding the PricewaterhouseCoopers Report (**Attachment 1**) and a submission regarding the Ernst & Young Report (**Attachment 2**).

#### RESULTS OF CONSULTATION

- Is there agreement? YES.

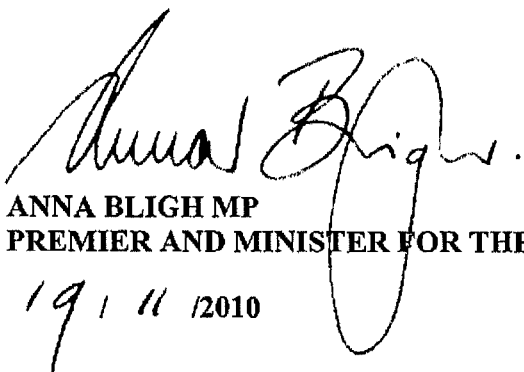
#### RECOMMENDATION

That Cabinet:

1. Note the attached Cabinet Budget Review Committee submissions (refer **Attachments 1** and **2**).
2. Note the Cabinet Budget Review Committee decision regarding the PricewaterhouseCoopers Report, to:
  - i. approve the recommendations of the PricewaterhouseCoopers Shared Services Review except for the recommendation pertaining to the Queensland Government Chief Information Officer;
  - ii. approve the Director-General, Department of the Premier and Cabinet as the Executive Sponsor for shared services to ensure a common consistent understanding of the shared services vision and report on the status of shared services to Cabinet on a six-monthly basis;
  - iii. approve the establishment of a new Shared Services CEO Sub-committee chaired by the Director-General, Department of the Premier and Cabinet to have oversight of the delivery, performance and improvement of core finance and human resources/payroll services and manage the transition to the new shared services environment;

- iv. approve the Director-General, Department of Public Works to be the accountable officer to lead the implementation through the creation of a Transition Project Office, with regular updates on progress to be provided to the Shared Services CEO Subcommittee and Cabinet Budget Review Committee;
  - v. note that initial planning indicates that implementation of the PricewaterhouseCoopers Review recommendations will take three years commencing in 2010-2011, completing in 2021-2013 and will require additional funding of \$19.9 million (excluding GST) and \$4.8 million (excluding GST) per annum thereafter;
  - vi. note that the \$19.9 million (excluding GST) and \$4.8 million (excluding GST) includes:
    - a. establishment of a new technical environment for Queensland Health estimated at \$12.0 million (excluding GST) over three years and \$3.0 million (excluding GST) per annum thereafter;
    - b. implementing the enhanced governance arrangements and capability to support the shared services initiative estimated at \$7.9 million (excluding GST) over three years and \$1.8 million (excluding GST) per annum thereafter.
  - vii. approve that the funding source for the recovery of the \$7.9 million (excluding GST) costs over three years and \$1.8 million (excluding GST) ongoing will be a levy charged to all government agencies by Queensland Treasury.
  - viii. note that detailed implementation planning will be undertaken in consultation with Queensland Treasury, the Department of Education and Training, and Queensland Health with a further submission prepared for Cabinet Budget Review Committee consideration in March 2011;
  - ix. note existing and planned activities to be progressed concurrently with the implementation of the PricewaterhouseCoopers recommendations include the machinery-of-Government systems changes and the replacement of high risk payroll and finance systems such as the Department of Community Safety human resource/payroll system and Queensland Treasury human resource/payroll and finance systems; and
  - x. note there are significant existing financial, funding and asset matters in addition to those arising from the implementation of the PricewaterhouseCoopers Review recommendations, that will impact the Department of Public Works, the Department of Education and Training, and the Department of Health. These matters will be addressed in a further submission to the Cabinet Budget Review Committee in March 2011.
3. Note the Cabinet Budget Review Committee decision regarding the Ernst & Young Report, to:
- i. note and accept the recommendations of the Ernst & Young Review of payroll and rostering solutions for Queensland;
  - ii. approve continuation of the Payroll Implementation Program to ensure payroll processing continues while implementing the Ernst & Young recommendations;

- iii. approve the continuation of the approximately 400 additional payroll staff to ensure processing of the pay while the Payroll Foundation Program is implemented;
  - iv. approve the commencement of a Foundation Project, as recommended by the Ernst & Young Review, with the first deliverable to be a project plan and budget to be submitted to CBRC for consideration by late January 2011;
  - v. note that the estimated costs of the Payroll Implementation Program, additional payroll staff and Payroll Foundation Program are:
    - a. Payroll Implementation Program: estimated cost of \$46.6 million over two years with \$31.2 million in 2010/11;
    - b. Additional Payroll Staff: estimated cost of \$107.1 million over three years with \$46.0 million in 2010/11;
    - c. Payroll Foundation Program: estimated cost of \$55.0 million (80% confidence estimate) over three years to 2012/13;
  - vi. note that a funding strategy for the Payroll Implementation Program, additional payroll staff and Payroll Foundation Program will be developed by Queensland Health in consultation with Queensland Treasury; and
  - vii. approve that the re-configured payroll systems be developed and implemented in a dedicated Queensland Health environment managed by CITEC with direct contractual relationship to Queensland Health.
4. Note that the Department of Public Works will consult with the Department of Premier and Cabinet to ensure there is appropriate contestability between the role of the Queensland Government Chief Information Officer and the accountable officer for the rest of Government shared service delivery.



ANNA BLIGH MP  
PREMIER AND MINISTER FOR THE ARTS  
19/11/2010



**CONSULTATION ADDENDUM**

**Title of** Queensland Government Response to the PricewaterhouseCoopers  
**Cabinet** Review of Shared Services and the Ernst & Young Review of  
**Submission:** Queensland Health's payroll and rostering solutions.

<b>DEPARTMENT</b>	<b>OFFICER</b>	<b>DATE</b>
Queensland Health	Michael Walsh	18 November 2010
Department of Public Works	James Brown	18 November 2010

SECURITY CLASSIFICATION "A"

SUBMISSION TO CABINET BUDGET REVIEW COMMITTEE

POLICY SUBMISSION

**COVERSHEET**

**TITLE**

Queensland Government's response to the PricewaterhouseCoopers Review of Shared Services

**MINISTERS**

Premier and Minister for the Arts  
Minister for Public Works and Information and Communication Technology

**OBJECTIVE**

That Cabinet Budget Review Committee approve the PricewaterhouseCoopers Review recommendations, the implementation of new governance arrangements and the commencement of detailed implementation planning, except for the recommendation pertaining to the Queensland Government Chief Information Officer.

**SUMMARY**

The Auditor-General's Report No 7 to Parliament 2010, tabled on 29 June 2010, raised concerns regarding project governance in relation to implementation of the Queensland Health payroll system and made seven recommendations relating to governance and ICT project implementations.

The Government in its response to the Auditor-General's report committed to implementing all seven recommendations and released a Government Response Plan. A key component of the Government's Plan was to engage PricewaterhouseCoopers (PwC) to review the current shared services model including CorpTech. PwC delivered its review to the Department of the Premier and Cabinet on 30 September 2010.

Key recommendations contained in the PwC Review include:

- the creation of three shared service providers, to provide services to each of Queensland Health, the Department of Education and Training and the rest-of-Government;
- clarifying accountabilities by making the Director-General, Department of the Premier and Cabinet the Executive Sponsor for the whole-of-Government Shared Service Initiative;
- establishment of a new Shared Services CEO Sub-committee to oversight the delivery, performance and improvement of core finance and human resource/payroll services, of the whole-of-government strategy for shared services and the transition to the target state;
- the Director-General, Department of Public Works (DPW) to remain the accountable officer for the human resource and finance service provider to the rest-of-Government;
- the Directors-General Queensland Health and the Department of Education and Training to remain the accountable officers responsible for their respective dedicated in-house shared service providers;

- the role, responsibilities and host agency of the QGCIO (Queensland Government Chief Information Officer) be considered, including the option of this role being a statutory officer;
- a discrete and independent Shared Services Strategy, Planning and Portfolio Management Group be established;
- a centralised Corporate Solutions Program Centre of Project Capability be preserved and strengthened;
- agencies to have accountability for project delivery, with centralised portfolio management and project support;
- mandated services be funded through an annual capacity charge which is confirmed between the service provider and the customers based on expected demand and reviewed quarterly; and
- the roadmap for the Corporate Solutions Program be reviewed.

It is proposed that a Transition Project Office be established within DPW to lead the planning and implementation of the PwC Review recommendations. Progress and milestone achievement will be reported to the Executive Sponsor, the proposed Shared Services CEO Sub-committee and Cabinet Budget Review Committee (CBRC).

It is imperative that during the transition the existing payroll and financial services, critical projects and business activities provided under the current shared services model to all Government agencies are not disrupted. The creation of three new technical system environments, aligned to the three shared service providers is complex. Implementation will require substantial planning, resourcing and staged implementation to avoid any substantial risk of human resource payroll and/or finance system failure.

Initial implementation planning, taking into consideration risks outlined above, indicates that the transition to a revised shared services model as proposed by PwC will take three years, commencing in 2010-2011 and completing in 2012-2013. This will require additional funding of \$19.9 million (excluding GST), including supplemental funding of approximately \$5.0 million (excluding GST) for DPW to resource a Transition Project Office and associated implementation activities over three years to 2012-2013.

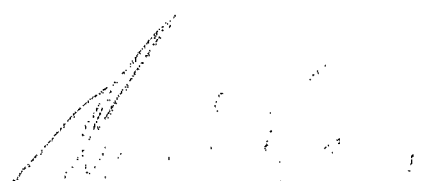
The proposed implementation timeline and funding requirements will be refined during detailed implementation planning which will be undertaken in consultation with the Treasury Department, the Department of Education and Training, and Queensland Health and will take into consideration the Queensland Health CBRC submission on the Ernst & Young Review. It is expected that detailed implementation planning will be finalised by the end of February 2011 and will be the subject of a further CBRC submission at that time.

#### RESULTS OF CONSULTATION

- **Is there agreement? YES.** See paragraphs 44-48 of body of submission.

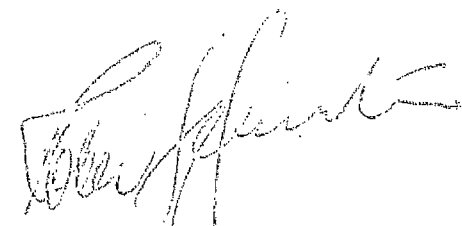
**RECOMMENDATIONS**

That Cabinet Budget Review Committee approve the recommendations at **Attachment 1**.



**ANNA BLIGH MP  
PREMIER AND MINISTER FOR THE  
ARTS**

1 / 2010



**Robert Swarten MP  
Minister for Public Works and  
Information and Communication  
Technology**

18 / 11 / 2010

**RECOMMENDATIONS**

That Cabinet Budget Review Committee:

1. approve the recommendations of the PricewaterhouseCoopers Shared Services Review except for the recommendation pertaining to the Queensland Government Chief Information Officer;
2. approve that the PricewaterhouseCoopers shared services review recommendation pertaining to the Queensland Government Chief Information Officer not be actioned.
3. approve the Director-General, Department of the Premier and Cabinet as the Executive Sponsor for shared services to ensure a common consistent understanding of the shared services vision and report on the status of shared services to Cabinet on a six-monthly basis;
4. approve the establishment of a new Shared Services CEO Sub-committee chaired by the Director-General, Department of the Premier and Cabinet to have oversight of the delivery, performance and improvement of core finance and human resources/payroll services and manage the transition to the new shared services environment;
5. approve the Director-General, Department of Public Works to be the accountable officer to lead the implementation through the creation of a Transition Project Office, with regular updates on progress to be provided to the Shared Services CEO Sub-committee and Cabinet Budget Review Committee;
6. note that initial planning indicates that implementation of the PricewaterhouseCoopers Review recommendations will take three years commencing in 2010-2011, completing in 2021-2013 and will require additional funding of \$19.9 million (excluding GST) and \$4.8 million (excluding GST) per annum thereafter;
7. note that the \$19.9 million (excluding GST) and \$4.8 million (excluding GST) includes:
  - A. establishment of a new technical environment for Queensland Health estimated at \$12.0 million (excluding GST) over three years and \$3.0 million (excluding GST) per annum thereafter;
  - B. implementing the enhanced governance arrangements and capability to support the shared services initiative estimated at \$7.9 million (excluding GST) over three years and \$1.8 million (excluding GST) per annum thereafter.
8. approve that the funding source for the recovery of the \$7.9 million (excluding GST) costs over three years and \$1.8 million (excluding GST) ongoing will be a levy charged to all government agencies by Queensland Treasury.
9. note that detailed implementation planning will be undertaken in consultation with Queensland Treasury, the Department of Education and Training, and Queensland Health with a further submission prepared for Cabinet Budget Review Committee consideration in March 2011;

10. note existing and planned activities to be progressed concurrently with the implementation of the PricewaterhouseCoopers recommendations include the machinery-of-Government systems changes and the replacement of high risk payroll and finance systems such as the Department of Community Safety human resource/payroll system and Queensland Treasury human resource/payroll and finance systems; and
11. note there are significant existing financial, funding and asset matters in addition to those arising from the implementation of the PricewaterhouseCoopers Review recommendations, that will impact the Department of Public Works, the Department of Education and Training, and the Department of Health. These matters will be addressed in a further submission to the Cabinet Budget Review Committee in March 2011.

**BODY OF SUBMISSION****OBJECTIVE**

1. That Cabinet Budget Review Committee approve the PricewaterhouseCoopers Review recommendations, the implementation of new governance arrangements and the commencement of detailed implementation planning, except for the recommendation pertaining to the Queensland Government Chief Information Officer.

**BACKGROUND****• Context**

2. The Auditor-General's Report No 7 to Parliament 2010, tabled on 29 June 2010, raised concerns regarding project governance in relation to implementation of the Queensland Health payroll system and made seven recommendations relating to governance and ICT project implementations.
3. **Attachment 2** provides a summary of the key findings and recommendations of the Auditor-General's Report.
4. In response to the Auditor-General's recommendations, the Government committed to implementing all seven Report recommendations and released a Government Response Plan (see **Attachment 3**).
5. A key component of the Government's Response Plan was to engage PricewaterhouseCoopers (PwC) to review the Government's current shared services model including CorpTech to:
  - review the organisation of corporate services under the shared services model and determine the most appropriate arrangements;
  - investigate and make recommendations on the most appropriate governance arrangements; and
  - provide comments on the future roll out of the Corporate Solutions Program.
6. The PwC Review delivered its report to the Department of the Premier and Cabinet on 30 September 2010. Key recommendations in the Review comprise:
  - retaining the shared operating model for shared services with a target state operating model consisting of three shared service providers, providing services to each of Queensland Health, the Department of Education and Training (DET) and the rest-of-Government;
  - clarifying accountabilities by making the Director-General of the Department of the Premier and Cabinet (DPC) the project sponsor for the whole-of-Government Shared Service Initiative;
  - establishing a new Shared Services CEO Sub-committee to have oversight of the delivery performance and improvement of core finance and human resource/payroll

services, of the whole-of-Government strategy for shared services and of transition to the target state;

- the Director-General, Department of Public Works (DPW) to remain the accountable officer for the human resource and finance service provider to the rest-of-Government;
- the Directors-General Queensland Health and DET to remain the accountable officers responsible for their respective dedicated in-house shared service providers;
- the role, responsibilities and host agency of the QGCIO (Queensland Government Chief Information Officer) be considered, including the option of this role being a statutory officer;
- a discrete and independent Shared Services Strategy, Planning Portfolio Management Group be established;
- a centralised Corporate Solutions Program Centre of Project Capability be preserved and strengthened
- agencies to have accountability for project delivery, with centralised portfolio management and project support;
- mandated services be funded through an annual capacity charge which is confirmed between the service provider and the customers based on expected demand and reviewed quarterly; and
- the roadmap for the Corporate Solutions Program be reviewed;

7. The Executive summary along with a summary of the recommendations is at **Attachment 4**.

• **Previous Consideration by Cabinet**

8. In August 2002, Cabinet Budget Review Committee (CBRC) (Decision No. 474) approved the governance arrangements for the implementation of shared services and decided that the Premier approve that the CEO Governance Committee be the steering committee for the implementation of shared services. CBRC also noted that the CEO Governance Committee be accountable for the whole-of-Government implementation of shared services.
9. In December 2002, Cabinet (Decision No. 3872) approved the implementation of the Shared Service Initiative, including the timing as reflected in the Business Plan.
10. In June 2008, CBRC (Decision No. 2436) noted the shared services governance arrangements and implementation approach (including the transfer of CorpTech from Queensland Treasury to DPW as of 1 July 2008). CBRC endorsed the shared services fiscal adjustment and new funding approach that included moving from quarantining of agency funds to fee-for-service from 1 July 2008 and achieving \$100 million per annum savings target by 2012-2013.
11. In October 2009, Governor in Council (ECM 661) approved \$56.5 million (excluding GST) for the implementation of finance and human resources systems under the Corporate Solutions Program.



12. In June 2010, CBRC (Decision No. 2990) noted that CorpTech would transition from quarantined funding arrangements to a fee-for-service model from 1 July 2010 and endorsed the use of a used plus levy pricing methodology for 2010-2011 in which the levy component (\$20.2 million (excluding GST)) would be subsidised by CorpTech from existing funding.

### URGENCY

13. This matter is considered urgent. The Government has committed to respond to the PwC Report findings by the end of November 2010, including consultation with unions and staff. The Government has also committed to responding to the recommendations of the Ernst & Young Review of Queensland Health payroll. This matter is the subject of a separate CBRC submission which is being progressed by Queensland Health.

### ISSUES

14. The recommendations in the PwC Review, excluding the review of the Queensland Government Chief Information Officer, are supported by both DPC and DPW (refer **Attachment 4**).
15. Under the current shared service model approximately 221,000 Government employees are paid each fortnight, and over 3.6 million financial transactions are processed per annum. It is imperative that during implementation there is careful consideration of the current operating arrangements for DET, Queensland Health and the rest-of Government to ensure the ongoing provision of human resource/payroll services and finance services is not adversely impacted.
16. Initial planning (refer **Attachment 5**) indicates that the implementation of the PwC recommendations will be completed by 2012-2013 and will require additional funding of \$19.9 million (excluding GST) (refer **Attachment 6**).
17. Key activities that will need to be considered during the development of a detailed implementation plan include:
- implementation of priority system changes for Queensland Health rostering and payroll system which will be progressed as a separate submission to CBRC;
  - machinery-of-Government related alignment of human resource/payroll and finance systems, and business processes to support the operations of:
    - Departments of Transport and Main Roads,
    - Department of Employment, Economic Development and Innovation,
    - Department of Environment and Resource Management,
    - Department of Communities, and
    - CITEC, within DPW;
  - implementation of the Australian Government Paid Parental Leave Scheme requiring system and business process change for all payroll systems across the sector;
  - DET human resource/payroll, TAFE payroll integration and deployment of new business functionality;
  - replacement of high risk payroll and finance systems including, Department of Community Safety – human resource/payroll and rostering systems (LATTIC

DPW – finance system (SAP), Treasury – human resource/payroll and finance systems (SAP), Queensland Police Service and a number of other agencies human resource/payroll systems (Aurion); and

- key shared services business projects as described in the approved business plans for Shared Service Agency, CorpTech, DET, and Queensland Health.

Technology issues

18. Creation of three new technical system environments to align to the three shared service providers is technically complex. Implementation of separate technical system environments will require substantial planning, resourcing and staged progress to avoid any risk of human resource payroll and/or finance system failure.
19. DPW will continue to support all current shared service environments, including the current Queensland Health rostering and payroll solution and DET's human resource/payroll solution until they are transitioned.
20. Post transition DET, Queensland Health, and DPW will be responsible for direct contractual relationships with vendors, including CITEC for the provision of shared services.

Skills and technical capability issues

21. There will be contention for key resources across government as a result of the need to implement PwC review recommendations; the Queensland Health Ernst & Young recommendations; and critical ICT projects such as the Department of Community Safety human resources/payroll and related machinery-of-Government activities.
22. Appropriate sourcing strategies will need to be developed to ensure that the critical human resources/payroll and finance operations are not adversely impacted during the implementation. This will be addressed during detailed planning and updated in the submission to CBRC early 2011.
23. DPW will need to retain key resources, both staff and contracted, to effectively support the ongoing operations of human resource/payroll and finance services for the rest-of-Government until the separation of the technical infrastructure and the completion of the Queensland Health Foundation Program currently estimated at 30 June 2012.
24. The creation of a separate technical system environment for Queensland Health to allow the Ernst & Young Foundation Program to progress in an earlier timeframe will further exacerbate the demand for key resources across government. It is imperative that DPW retains all necessary resources to fulfil its current obligations to both Queensland Health and the rest-of-Government for human resources/payroll and finance processing.

25. DPW will review its staffing requirements at key milestones during the transition and will transfer staff and/or contractors to DET, which are critical to support its payroll. An initial review of staff and/or contractors will be undertaken on completion of the Queensland Health Payroll Improvement Program, expected 30 June 2011 to determine what resources could transfer to Queensland Health. A further review will be undertaken at the completion of the Ernst & Young Payroll Foundation Program, expected 30 June 2012.

Governance

26. The PwC Review has made several recommendations pertaining to Governance. These are discussed in summary form below. Further information on the PwC Review governance arrangements is attached (refer **Attachment 6**).

27. The PwC Review recommendation that the Director-General, DPC be appointed as the Executive Sponsor for shared services and chairs a new Shared Services CEO Sub-committee is accepted. This will provide independent high level oversight of shared services across Government.

28. The role of the shared services sponsor is to provide independent high level oversight of shared services across Government, ensure a common, consistent understanding of the shared services objectives and encourage agencies to operate within the shared services mandate.

29. The Shared Services CEO Sub-committee will be chaired by the Director-General, DPC, and comprise of the Under Treasurer and the Directors-General of Queensland Health, DET, DPW, and other agencies on a rotational basis. The Public Service Commissioner will also be represented.

30. The role of the Shared Services CEO Sub-committee will be to have oversight of the delivery, performance and improvement of core finance and human resource/payroll services and the implementation of the PwC Review recommendations in the creation of the new shared services environment.

31. Additional governance recommendations included in the PwC Review include:

- the Directors-General of each agency are to be accountable for the delivery of project outcomes for shared services projects in their respective departments;
- the Directors-General of DPW, Education and Training and Queensland Health will retain their respective service delivery accountabilities; and
- two new central bodies to be set up under the Queensland Government Chief Information Officer to provide specialist expertise that supports the delivery of agency projects and for portfolio management of shared services projects.

32. These recommendations are supported as they will encourage agencies to be active participants in the governance of shared services, greater cross-sector collaboration and buy-in to ongoing shared service strategies, priorities, and working arrangements. These recommendations also address the governance concerns raised in the Auditor-General's Report No. 7 to Parliament 2010.
33. It is proposed to establish a Transition Project Office reporting to the Director-General, DPW to progress the implementation of the PwC Review recommendations. Progress and milestone achievement will be reported to the Executive Sponsor, the Shared Services CEO Sub-committee and CBRC.
34. The PwC review recommendation pertaining to the Queensland Government Chief Information Officer should not be actioned at this time.

Shared services funding

35. The PwC review recommends that the funding model for shared services be based on an annual capacity charge and that the non-core service offering and volume beyond the planned capacity be funded by agencies through a fee-for-service cost recovery model, subject to quarterly review. This will simplify cost recovery processes and administration, and is therefore supported.
36. The shared services funding model will need to be developed during implementation planning. Consideration will need to be given to the treatment of the over and under recovery of costs (options include retain for reinvestment and/or return to agencies and/or the Consolidated Fund); asset ownership and valuation; equity withdrawals; and funding for business improvement and development. This model would only apply to rest-of-Government as funding options for DET and Queensland Health are internal matters within the remit of the respective departments.

**CONSULTATION**

• **Community**

37. There has been no general community consultation regarding this submission, however, all relevant unions were consulted during the PwC Review.

• **Government**

38. All Government Departments and the Auditor-General were consulted in the preparation of the PwC Report.
39. The draft recommendations of the PwC Report were presented to the CEO Leadership Team meeting on 1 September 2010.

- *Treasury Department*

40. The Treasury Department was consulted on the contents of this submission during the period 15 October 2010 to 15 November 2010.

- *Other Departments*

41. Queensland Health was consulted on the contents of this submission during the period 15 October 2010 to 15 November 2010.

42. DET was consulted in the preparation of this submission during the period 15 October 2010 to 15 November 2010.

43. The Department of Communities was represented on the on the Review of the Shared Services Model Steering Group and consulted during preparation of this submission.

#### **RESULTS OF CONSULTATION**

- **Government**

44. The Auditor-General has been provide a copy of the final PwC report and is in broad agreement with the recommendations.

- *Treasury Department*

45. The Treasury Department will only support the option for implementation of the PwC review of a levy charged on agencies. Collection of this levy will be a matter for the Treasury Department.

- *Other Departments*

46. Queensland Health has advised that its preference is for the establishment of a separate technical system environment dedicated to Queensland Health in order for it to progress the Ernst & Young payroll foundation project which will be the subject of a separate submission. Queensland Health have also indicated that under the revised governance arrangements as proposed by PwC that in order to fulfil its business needs that it requires direct contractual relationships with its vendors including CITEC. This approach is supported by DPW and DPC provided the role of CITEC as the whole-of-Government ICT infrastructure provider is not eroded.

47. It is DPW and DPC view that the establishment of a separate technical system environment dedicated to Queensland Health, in order to progress the Ernst & Young recommendations, will need to be subject to a full cost-benefit analysis.

48. DET has raised concerns that sufficient technical resources will be available to be transferred to manage its payroll processing obligations. DPW will review its staffing requirements at key milestones during the transition and will transfer staff and/or contractors to DET, which are critical to support its payroll.

**RURAL/REGIONAL IMPACT STATEMENT**

49. Nil

**EMPLOYMENT AND SKILLS DEVELOPMENT IMPACT STATEMENT**

50. Nil

**CLIMATE CHANGE IMPACT STATEMENT**

51. Nil

**FINANCIAL CONSIDERATIONS**

Transition Costs

52. DPW initial planning indicates that an additional \$19.9 million (excluding GST) will be required over a three year period (from 2010-2011 to 2012-2013) to implement the target state shared services model as recommended by PwC (refer **Attachment 7**).
53. The PwC Review recommends that the Shared Services Strategy Planning and Portfolio Management Group, and the Corporate Solutions Program Centre of Project Capability are centrally funded. The costs of these functions over the three year implementation period is estimated at \$4.1 million (excluding GST) per annum after taking into consideration offsets of \$5.7 million (excluding GST) within DPW.
54. There will need to be a dedicated team and funding to manage the implementation of the approved PwC recommendations. The estimate of costs, which is subject to further detailed planning, indicates additional funds in the order of \$3.8 million (excluding GST) over three years will be required. This comprises the Transition Project Office and implementation funding to contribute to change management, development of skills and organisational realignment (refer **Attachment 7**).
55. The implementation of a separate technical system environment for Queensland Health as recommended in the PwC Review is estimated to cost \$12.0 million (excluding GST) and \$3.0 million (excluding GST) per annum thereafter.
56. After implementation the cost of running the Shared Services Strategy Planning and Portfolio Management Group, and the Corporate Solutions Program Centre of Project Capability Offices as been estimated at \$1.8 million (excluding GST) per annum. The PricewaterhouseCoopers Report recommends that these functions be centrally funded.
57. As highlighted in paragraphs 61 through 65, it is not within the capacity of DPW to fund the \$19.9 million (excluding GST) required over a three year period (from 2010-2011 to 2012-2013) to implement the target state shared services model or the \$1.8 million (excluding GST) per annum thereafter.

58. As the new technical system environment to be established to implement the Ernst & Young recommendations is for the sole use of Queensland Health it is appropriate that Queensland Health fund this expenditure of \$12.0 million (excluding GST) and \$3.0 million (excluding GST) per annum thereafter, to source ICT hardware and services from CITEC. Any additional technical systems environments to support the rest-of-Government will be considered as part of the Corporate Solutions Program.

59. Funding options to meet the remaining expenditure required of \$7.9 million (excluding GST) over three years and the \$1.8 million (excluding GST) per annum thereafter, to implement the PwC Review recommendations include:

- DPW funded;
  - i. This option would have severe financial impacts on the ability of DPW to meet its service delivery commitments and poses substantial risk to the ongoing delivery of finance and human resource/payroll services across Government, as highlighted in paragraphs 61 through 65.
- recovery from agencies; and/or
  - i. The new shared services model, as recommended by the PwC Review, limits DPW recoveries to rest-of-Government. DPW has no mandate to charge DET and Queensland Health for the enhanced governance arrangements recommended by the PwC Review. Agencies are already under significant financial pressures and this option would have a further impact on their service delivery capacity and may undermine the effective implementation of the PwC recommendations.
- direct funding from the consolidated fund.
  - i. This option may require a review of government initiatives and priorities in order to meet the additional funding requirement.

60. The Treasury Department have indicated that it will only support funding arrangements that are based upon a levy charged to agencies. The application of an appropriate levy on all government agencies will be the responsibility of the Treasury Department.

Other Financial Considerations

61. The Corporate Solutions Program has capital funds amounting to \$44.0 million (excluding GST). Initial planning indicates that there are insufficient remaining funds to implement the high priority human resource/payroll and finance systems for rest-of-Government. These funds have been previously approved by CBRC and Cabinet for the express purpose of delivering the Corporate Solutions Program. These funds plus additional funding will be required to deliver the Corporate Solutions Program.

62. There are significant ICT assets that are not being used in accordance with the original intentions. Therefore the current value of shared service ICT assets will need to be revalued to reflect their reduced usage. This will result in an estimated \$50.0 million write-off for DPW in 2010-2011.
63. The technical assets that support the current Queensland Health human resource/payroll system are valued at \$48.5 million and \$0.3 million for the Queensland Health finance system. The DET human resource/payroll system is valued at \$1.2 million. It is proposed to transfer these assets to Queensland Health and DET as at 1 July 2011, with responsibility for funding to maintain and enhance these assets being the responsibility of the respective agency.
64. Assets to be retained by DPW will need to be 're-lifed' to reflect their extended useful life. This will result in a reduction in depreciation recovered from agencies significantly reducing the income received by the Department of Public Works to maintain these assets. The Department of Public Works is also required to meet substantial equity withdrawal commitments from 2010-2011 onwards, which will also negatively impact the ability to provide services.
65. DPW is in consultation with the Treasury Department on these financial issues and will provide a further submission to CBRC early in 2011.

#### IMPLEMENTATION

66. DPW high-level implementation plan (refer **Attachment 5**) to be confirmed through detailed planning proposes:
- establishing a Shared Services Transition Project Office by January 2011;
  - establishing governance arrangements for the transition by early 2011;
  - planning and a cost benefit analysis including the review of Corporate Solutions Program by June 2011;
  - commencing the establishment of the rest-of-Government shared service provider by July 2011 to cover both service delivery and ICT components;
  - achieving the separation of the DET human resources/payroll system and staff (TSS) from CorpTech by late 2011;
  - achieving the separation of the DET human resources/payroll system (Aurion) from CorpTech by late 2012, subject to a business case to be progressed by DET;
  - migrating to the new shared services environment for Queensland Health human resources/payroll and finance systems by 2012-2013, as proposed by Ernst & Young; and
  - continuing the delivery of current commitments in parallel with the planning and implementation of the recommendations.
67. The successful implementation of the recommendations is contingent upon comprehensive planning and risk analysis of the impacts on:
- continued delivery of critical finance and payroll processes across Government;
  - high profile technology projects in progress;
  - machinery-of-Government technology changes in progress;



- key shared services business projects for DPW, DET and Queensland Health to meet Service Delivery Statement commitments; and
- a full assessment of the Ernst & Young Report recommendations for Queensland Health.

**PUBLIC PRESENTATION**

68. Draft media release attached (**Attachment 8**). It is recommended that it is considered for release following the Cabinet decision on this matter, scheduled for 22 November 2010.

## CONSULTATION ADDENDUM

**Title of CBRC Submission:** Queensland Government response to the PricewaterhouseCoopers Review of Shared Services.

DEPARTMENT	OFFICER	DATE
Treasury	John O'Connell Drew Ellem Catherine Baldwin	Various dates between 15 October and 15 November 2010
Department of Education and Training	Dr Richard Eden	15 November 2010
Department of Health	Michael Walsh Ray Brown Tam Shepherd	9 and 15 November 2010

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## **LIST OF ATTACHMENTS**

- 1. Submission Recommendations**
- 2. Summary of the key findings and recommendations of the Auditor-General's Report**
- 3. Government Response Plan**
- 4. Summary of the PricewaterhouseCoopers recommendations**
- 5. Proposed Shared Service Transition Plan**
- 6. PricewaterhouseCoopers Review governance arrangements**
- 7. Estimated costs**
- 8. Draft Media Release**

Attachment 2 - Summary of the key findings & recommendations of the Auditor General's Report

**Key findings and recommendations of the Auditor-General Report No. 7 for 2010, 'Information Systems Governance and Control, including the Queensland Health Implementation of Continuity Project**

On the 29 June 2010, the Auditor-General will release a report on a number of ICT programs, the most significant being the Queensland Health Implementation of Continuity Project (the Queensland Health payroll system audit).

The key findings from the Queensland Health Implementation of Continuity Project related to:

Project governance

The Auditor-General indicates a number of project governance issues that were considered inadequate, including:

- the governance structures of the system implementation as it related to CorpTech, the prime contractor and Queensland Health. These structures were not clear, causing confusion over the roles and responsibilities of the various parties;
- prime contract management , stakeholder engagement, specification of business requirements, management of scope control and cost control and accountability;
- time for data preparation (cleansing) and data migration;
- system and process testing. This testing had not identified a number of significant implementation risks therefore the extent of the potential impact on the effective operation of the system had not been fully understood and quantified;
- system useability testing and validation of the new processes in the business environment. This was not performed and as a result Queensland Health had not determined whether systems, processes, infrastructure were in place for the effective operation of the system;
- risk quantification of criteria used to determine technical cut over (system go-live decision); and
- contingency planning for business cutover (business go-live decision).

The response to the Auditor-General acknowledges that the governance arrangement for this project could have been improved and clarified. However it was noted that the transition from a whole-of-government implementation governance arrangement to a project governance arrangement in June 2009 did provide for a clearer focus for oversight of the project related work programs of IBM, Queensland Health and CorpTech and the associated decisions by the Project Board members.

In addition, CorpTech has reviewed the governance arrangements for the delivery of the Corporate Solutions Program which will see the establishment of revised formats for program and project boards. In addition all relevant stakeholders will formally sign-off deliverables and contract variations as this will reinforce the understanding of roles, responsibilities and accountabilities.

### Post Go-Live issues

The Auditor-General identifies a number of serious issues which existed at the time of implementation of the system on 14 March 2010 which have or are in the process of being addressed by Queensland Health and CorpTech. These issues include:

- rostering system performance;
- slow system performance;
- the Queensland Health Shared Service Provider changing some key business processes as part of the Go-Live of the system reducing the ability of Queensland Health regional staff to respond quickly to local pay queries and issues from staff; and
- a backlog of exceptions, new starters, terminations and staff movements to be processed by the Queensland Health Service Provider due to payroll processing issues.

The response to the Auditor-General acknowledges the comments made in relation to the post go-live issues. The Auditor-General's report acknowledges much of the corrective action that Queensland Health has put in place since 14 March 2010 to address issues that arose with the implementation of the system. Queensland Health has put in place the Payroll Stabilisation Project to address business issues with the assistance of KPMG.

### Complexity of Queensland Health Award Structures

The Auditor-General acknowledged the complexity of the Queensland Health award structures and notes "...there are 13 awards and multiple industrial agreements which provide for over 200 different allowances and in excess of 24,000 different combinations of calculation groups and rules for Queensland Health employees who on average total around 78,000."

### Audit Report Recommendations

The Report made two specific recommendations relating to the Queensland Health Implementation of Continuity Project:

#### **Recommendation 1**

The current action to stabilise the Queensland Health payroll and rostering systems to be continued to ensure Queensland health employees are correctly paid. Any mismatch between business practices and business rules configured within the system needs to be analysed and appropriate changes made to address defects or to improve accuracy or effectiveness of the payroll output. Technological changes should be performed through strict change management processes and testing regimes to ensure system stability is maintained.

#### **Recommendation 2**

Queensland Health should reconsider its current business model to determine the most effective and efficient strategy to deliver payroll services. To mitigate the risk of payroll inaccuracies, simplification of award structures and pay rules need to be considered. A payroll process reengineering should provide for an appropriate blend of local decision making and action, and the efficiencies of centralised processing. System reporting to enable effective performance management for both local and central processing hubs is an essential component of any business process

reengineering. It is suggested that a staged approach be used for the implementation of any new business model.

The Report made one specific recommendation in relation to Shared Services:

### **Recommendation 3**

The roles and responsibilities of departmental Accountable Officers involved in the Shared Service Initiative be reviewed so that the ultimate responsibility of departmental Accountable Officers for all expenditure by their departments is reinforced. The agreed responsibilities should be clarified in either the Financial Accountability Act 2009 or in the Financial and Performance Management Standard 2009.

The Report made four recommendations on broader Government ICT governance and security issues:

### **Recommendation 4**

The Queensland Government Chief Information Officer program and project management methodologies be rigorously applied for the development and implementation of all new information system programs. Some of the critical success factors include:

- Formal documentation of roles, responsibilities, accountabilities and key performance indicators of all relevant parties which should be signed by all key stakeholders. This document needs to be a living document that is periodically reviewed and updated for relevance.
- Formal documentation of the program being divided into tranches (groups of projects that deliver the final outcome). End of tranche review need to be performed to assess the ongoing viability of programs and to assess the effectiveness of program processes in managing risks, issues, benefits, program management activities and lessons learnt.
- Clear definition of project scope and timeline including key stakeholder sign off. The project scope needs to be tightly managed throughout the life of the project.
- Large projects should be divided into stages with each stage clearly planned, controlled and end stage review performed. The end stage reports should provide an input into the planning processes for the next state(s). Some of the examples of the Queensland Health project stages could include: project scope definition; business requirements definition; system development; user acceptance testing' parallel testing' system useability test and validation of business processes; business process re-definition; Go-Live and post-implementation processes.
- Quality assurance role of the Project Board needs to be clearly documented and implemented. The quality assurance processes need to be implemented at all levels of programs and projects.
- Rigorous budget management processes should be implemented with budgets approved and monitored by the relevant governance boards.

### **Recommendation 5**

Information technology governance frameworks, practices and processes need to be implemented at a whole of government level so that business outcomes and benefits

from IT programs are achieved, measured and reported by individual agencies using a consistent approach. These can then be consolidated at the whole of government level through the recently established ICT governance committees for improved transparency of ICT programs and projects.

**Recommendation 6**

For whole of government programs / projects, specific attention needs to be placed on ensuring that end to end governance structures are implemented and ensuring that there is transparency of decisions that are made and the impact of those decisions on government agencies.

**Recommendation 7**

Information technology security risk assessment, mitigation strategies and control mechanisms need to be documented and implemented at the agency level and co-ordinated at the whole of government level through the recently established information security committee.

Attachment 3 – Government Response Plan

**Joint Statement of Tuesday, June 29, 2010 by Premier and Minister for the Arts and Deputy Premier and Minister for Health**

**Government to implement all seven of the Auditor General's recommendations**

The State Government will implement all seven of the Auditor-General's recommendations contained in his report on the Queensland Health payroll implementation.

The Government has also announced that a number of additional measures will be implemented to provide certainty into the future.

Premier Anna Bligh today said the investigation had concluded there were fundamental failures not only within Queensland Health but more broadly.

Ms Bligh said the Government will take decisive action, including:

- *Move to a local health payroll model and re-examine the use of WorkBrain rostering system over the next three months;*
- *Issue a Show Cause Notice to IBM and reserve its right to withhold final payment and seek damages*
- *Overhaul CorpTech and abandon the one-size-fits-all approach to payroll across government departments*

We are taking decisive action following the delivery of the Auditor-General's report today.

The Government will act on each of the Auditor-General's seven recommendations.

The Auditor-General's report is thorough and makes key recommendations but there is a need to go further.

The Government will take a number of additional steps to provide Queensland Health staff with greater certainty going forward, Ms Bligh said.

The Auditor-General's report, not surprisingly, has found that there has been a fundamental failure in the process of implementation of the new payroll system.

The Queensland Government takes responsibility for ensuring our employees are treated decently.

I apologise sincerely to every one of those Queensland Health employees and their families who have been affected by the recent payroll problems.

The Auditor-General found failures had occurred at a number of levels and made seven key recommendations - two in relation to Queensland Health, one in relation to Shared Services and four recommendations in relation to broader government ICT governance and security.

The Deputy Premier and Minister for Health Paul Lucas said that health staff are currently dealing with a centralised payroll system that is removed from the day to day operations of our hospitals.



"What people on the ground, working in our hospitals and their unions have told me is that we need local information and local decision making when it comes to payroll and we have listened to those concerns", Mr Lucas said.

As a result, Queensland Health will phase in a localised health payroll model over the next three months.

This will mean a hire-to-rotate service in each payroll hub and Queensland Health Corporate Services will be restructured to ensure local payroll systems are adequately supported.

This will be undertaken after rigorous testing and in close consultation with staff and their unions.

In addition, the Premier said the experience of the Queensland Health payroll implementation had shown a one-size-fits-all approach to payroll across the Queensland Government should be abandoned and CorpTech overhauled.

Larger agencies with complex payroll requirements should be able to use the payroll system which suits them and smaller agencies should have the ability to cluster with similar agencies and utilise the one payroll system, she said.

We are today doing the responsible thing "and that is accept the advice of this independent investigation, resolve to implement each of the recommendations and do the right thing by our hard-working staff.

The Auditor-General's report clearly identifies failings on the part of contracted provider, IBM.

We have sought Crown Law advice in relation to options for terminating the payroll contract with IBM and it's only fair that we seek to reserve our legal rights. The Government has issued IBM a Show Cause Notice as to why the contract should not be terminated", said the Premier.

#### **Better payroll model**

Queensland Health will re-introduce a localised payroll model that features direct service between payroll hubs and hospital unit managers within their local health service.

The Queensland Government acknowledges that one of the flaws of the payroll system is the loss of strong links between individual payroll hubs and their client local hospital districts. By the end of September 2010, each hospital in Queensland will be linked to a specified payroll hub. Each payroll hub will be responsible for every aspect of the employment, rostering, and payroll services of each hospital unit in their local district.

This will mean more personal contact between payroll staff and the hospital unit managers they serve. It will also mean that payroll staff will be more familiar with any specific pay-related contract terms and conditions in place in their district. Finally, hospital unit managers will have greater access to the payroll staff processing their roster and pay forms, so they can follow up on any forms that are being processed.

Implementation of the new localised payroll model will begin this week subject to appropriate consultation with unions and will be fully implemented by 30 September 2010. Two new payroll hubs will be created at Mackay and the Gold Coast.

This move is consistent with the local hospital network health reforms agreed by Premier Bligh at COAG. The Government is committed to ensuring that Queensland Health returns corporate services and decision-making to the local hospitals, and this new approach to payroll hubs lays an important stepping stone to local control.

#### **Best software system**

Queensland Health will also re-examine the decision to implement the WorkBrain rostering system in conjunction with SAP.

The health payroll system consists of two applications that are linked. The two applications are the rostering and award interpretation application (WorkBrain) and the payroll application (SAP HR). The two applications should work together efficiently and effectively to deliver staff an accurate pay each fortnight.

Ernst & Young have been engaged by Queensland Health to provide a review of the most commonly deployed payroll and rostering solutions in the national and international healthcare sector.

Over the next three months Queensland Health will work with Ernst & Young in consultation with staff and unions to confirm the most suitable roster and award interpreter configuration that delivers staff the payroll outcome they deserve as quickly as possible. This may involve reconfiguring the current application or introducing alternate solutions.

Queensland Health will also discuss with staff and unions whether there are aspects of the Award arrangements which can be simplified in order to reduce the complexity of the payroll system and deliver a better outcome for staff.

#### **Holding IT advisors accountable**

The Queensland Government will today issue to IBM a Notice to Show Cause why its contract should not be terminated for breach of duty of care and breach of contract.

IBM was engaged by the Queensland Government to choose appropriate payroll software for Queensland Health, to act as project manager for the payroll implementation, and to design, develop and implement the technology.

However, the system has experienced numerous problems since commencement. System development has not led to a suitable product being delivered at the time of implementation.

The Queensland Government has already issued notices to remedy breaches to IBM on 12 May.

#### **Strengthening QH Corporate Services**

Queensland Health will restructure its Corporate Services division to reduce bureaucracy, localise service provision and to ensure there are clearer lines of responsibility at the executive level.

The restructure will be led by Michael Walsh, who will act in the position of DDG Corporate Services to bed down the restructure and finish the job he has started as head of the Payroll Implementation Stabilisation team. Michael will act in that position for a period of three months.

The new QH Corporate Services will actively identify corporate services (including HR, payroll, finance) that should be delivered within local hospital districts, instead of

head office. More and more, Queensland Health will be moving to a localised model of service delivery within local hospital services, in line with the principles outlined in the national health reform agreement.

**The future of CorpTech and shared services**

The Queensland Government will abandon the one-size-fits all shared services model as the exclusive model for corporate services across the whole of Government.

The whole-of-government IT provider, CorpTech, will be overhauled to better match agency needs this will include an assessment of which agencies are best served by their own technical services.

While the principles behind the shared service model work for some agencies, the Queensland Government recognises there is a place for larger agencies to remain independent in providing corporate services such as payroll and HR.

A formal review of the shared services business model will be conducted by PricewaterhouseCoopers Partner Mr Roger McComiskie to determine the future of the various shared services and make recommendations about more flexible arrangements that may be utilised by client agencies.

Mr McComiskie will commence immediately, will report directly to the Director General of Department of the Premier and Cabinet and will be serviced by a small secretariat in the Department of the Premier and Cabinet. His final report will be released publicly.

The review will be completed by the end of September 2010.

## Attachment 4 – Summary of the PricewaterhouseCoopers recommendations

Area	PricewaterhouseCoopers recommendations
Operating Model	1. the Queensland Government retain the shared operating model for shared services
	2. a target state operating model consisting of three SSPs providing services to each of QH, DET and RoG
	3. that the management of business applications move from a central capability to a shared model
	4. that project delivery is agency-led
	5. that a centralised, discrete and independent Shared Services Strategy, Planning and Portfolio Management Group is established
Delivery Model	6. that shared services remain 100 per cent public sector controlled
	7. the Director-General, Department of Public Works (DPW) remains the accountable officer for the 'business as usual' service provider to RoG
Service portfolio	8. the Queensland Government adopt a formal framework to help guide the assessment about whether a service should be included in the shared services portfolio or delivered from within the customer agencies
Governance	9. that the executive sponsor for shared services is the Director-General, Department of the Premier and Cabinet (DPC)
	10. that periodic benchmarking is undertaken to measure and monitor the performance of all SSPs
	11. that staff receive comprehensive training regarding their governance accountabilities
	12. establishing a new Shared Services CEO Sub-Committee to have oversight of the delivery, performance and improvement of core finance and HR/payroll services, of the whole-of-Government strategy for shared services and of transition to the target state
	13. that effective stage-gating for approval of projects is reinforced at the appropriate times in the project development lifecycle
	14. establishing individual Project Boards with Agency Sponsors, for all active projects on the Corporate Solutions Program of Work
	15. Queensland Government consider the role and responsibilities of the QGCIO, including the option of this role being a statutory officer
	16. establishing a discrete and independent Shared Services Strategy, Planning and Portfolio Management Group
Funding Model	17. preserving and strengthening a centralised Corporate Solutions Program Centre of Project Capability
	18. that the mandated core service offering of the SSPs, and the management of the business applications that support it, are funded by the customer to an agreed level of annual capacity
	19. that funding for the mandated core service offering should not vary unless usage falls outside of agreed tolerance levels
	20. that non-core service offering and volume beyond the planned capacity are funded by the recipient customers through a fee-for-service cost recovery model
	21. that project delivery is funded directly to the responsible agencies
	22. that standards development, portfolio management and the Centre of Project Capability are centrally funded
System environment	23. the target state system environments as described below: <ul style="list-style-type: none"> <li>– QH maintaining separate SAP finance and HR/payroll solutions</li> <li>– DET maintaining a separate HR/payroll solution, with the potential for a transition to a separate SAP finance solution in the future, based on a favourable business case</li> <li>– SSA and all its customer agencies to consolidate on a single whole-of-Government finance and HR/payroll solution.</li> </ul>
	24. that the suggested framework is adopted by shared services for determining the appropriate sequencing and disciplines to be applied for future application rollout or upgrades
	25. the existing Corporate Solutions Program roadmap is revisited

## ***Executive summary***

This executive summary sets out our findings in relation to the review of the shared services model for Queensland Government. It also outlines our recommendations for the proposed improvement in shared services for Government consideration.

### **a) Our overall perspective on shared services**

The private sector has been using shared services to deliver efficiency and savings and to improve corporate services since the 1990s. Globally, this has encouraged the public sector to adopt shared services for both financial benefit and social value. A 2006 report found that more than two-thirds of government agencies in western countries were using shared services. In Australia, governments at all levels have now moved toward various models of shared services.

#### **Successfully introducing shared services within the public sector is challenging**

Successfully introducing shared services within a public sector environment is typically a longer journey than within the private sector, due to:

- the increased complexity of stakeholder relationships
- public ownership and scrutiny of government activities
- a lower appetite for risk.

#### **There is a continued need for shared services**

During our consultation, agencies consistently agreed that there is a continued need for shared services within Government.

We agree that shared services remains a valid option for the Queensland Government, and implementing an optimised shared service model will enable Government to focus on delivering its *'Toward Q2: Tomorrow's Queensland'* priorities.

### **b) Response to review objective 1: Determine the most appropriate arrangements for the Queensland Government into the future**

The Queensland Government should implement an integrated operating model which combines the benefits of central control, scale and standardisation with a flexible, service-centric approach. The three components of this proposed model are shared service provision:

- within Queensland Health (QH)
- within the Department of Education and Training (DET)
- to the rest of Government (RoG).

Each of the shared service providers proposed above meet the optimum threshold for potential economies of scale (being more than 50,000 end users).

### Key changes for QH and DET

The key change for QH and DET is that responsibility for the management of their finance and HR/payroll business applications should move from CorpTech to QH and DET respectively.

For both QH and DET, it is our view that this transfer would remove inefficiencies out of the separation of applications management from transaction processing, improve clarity and increase the proximity to the business. The benefits, costs and risks associated with this transfer will need to be quantified and managed. Alternative approaches, of moving transaction processing into a single whole-of-Government centre or of a multi-agency decentralised model, would incur substantial costs and risks, disproportionate to the potential benefits.

It is our view that the transfer is appropriate as the substantial size of the QH and DET customer base means that no material additional economies of scale are likely through operation via a central shared services model.

In the case of QH specifically, the transfer is also necessary to:

- further empower QH to respond to the complexity of their payroll business requirements, which include in excess of 24,000 potential payroll combinations
- enable QH to more closely manage the uncertainty around the future delivery and management mechanism for health services both nationally and locally.

In the case of DET, the potential timing and transition of finance applications management is to be subject to confirmation of a comprehensive business case.

### Project delivery should be led by the agencies

We further recommend that agencies should have accountability for project delivery, with centralised portfolio management and project support provided as needed to ensure consistency. It will be the responsibility of the QGCIO to provide this support to agencies.

### Key features of the operating model

The key features of the recommended operating model apply to the shared service provider for RoG as well as to QH and DET. The key features of the operating model are:

- operating through a department with a commercial focus. The key characteristics of this are a clear commercial mandate from Queensland Government and a focus on overall improvements in productivity and value for money. These improvements should be measured and monitored as part of six-monthly progress reporting to Cabinet
- mandating services. For the benefit of both the provider and the customer, there has to be certainty about the composition of the portfolio of services. Longer-term certainty in this respect enables service providers to drive towards increased efficiency and economy
- funding mandated services through an annual capacity charge which is agreed between the service provider and the customers based on expected demand, and reviewed quarterly. To avoid micro-management and improve the client/supplier relationship, core funding should not vary unless usage falls outside of agreed tolerance levels
- ensuring fee-for-service options are only used for cost recovery beyond the agreed tolerance usage levels for mandated services, and for non-mandated service charging. Fee-for-service should remain the exception rather than the rule.

### Stay in Government control, enhancing the commercial focus

There is no present imperative to move from 100 per cent public sector ownership and control. However, we emphasise that while remaining under Government control, the SSPs must adopt a commercial service-oriented culture and adopt the four key features stated above.

### c) Response to review objective 2: Make recommendations for the appropriate governance model for shared services

Robust governance is fundamental to the success of the operating model for shared services. The future governance of shared services should be characterised by clarity, inclusive representation, open communication and performance improvement.

#### The right governance model is crucial

The governance approach must include:

- a shared services vision that is clearly defined, communicated, incentivised and supported
- a reinforced commitment and willingness to jointly change and improve through strong leadership
- a clear framework with defined and agreed accountabilities to the whole-of-Government and agencies, matched by an obligation by the agencies to accept mandated services within a pre-agreed range of services and systems
- an offering of an agreed but limited range of non-mandated services and systems, within the same accountability framework
- clear service and project focused performance metrics and quality improvement mechanisms with supporting enforcement
- close and effective working relationships at a strategic, operational and project level to maintain trust and deliver value improvements
- substantive and compliance-level assessment of risk and an holistic risk management plan.

Queensland Government has a number of existing project governance frameworks in place, including QGCIO Project Methodologies, the Project Assurance Framework, the Value for Money Framework and the Gateway Review Process. In our view, greater consistency in applying these frameworks will provide greater rigour to whole of life project governance and investment assurance.

#### Key changes to the governance model

Necessary changes to the governance model include:

- introduction of a single executive sponsor with an appropriate level of authority for shared services across the whole-of-Government, reporting to Cabinet on a six-monthly basis on the status of shared services across whole-of-Government and on the progress of key initiatives
- distinct and clear governance arrangements for the delivery of 'business as usual' services, project delivery and whole-of-initiative strategy, planning and portfolio management
- an increased level of leadership and commitment to governance across all SSPs and agencies
- comprehensive training for staff regarding their accountabilities within the governance model.

#### d) Response to review objective 3: Provide recommendations for the future rollout of the Corporate Solutions Program

Standardisation of systems is an appropriate long-term objective for the improvement of shared services. We observed that SSPs have for some time been engaged in moving to common technical solutions. We support that direction, while noting that competing demands have led to delays in delivery. It is important to recognise that while standardisation of technical solutions is appropriate, benefits will remain limited without standardisation of associated business processes.

#### Key changes to the Corporate Solutions Program

We recommend that Government:

- reassess the present program, confirming that timeframes are achievable. In our view, the current program of work is not realistic in light of competing demands, exposing the shared services providers to material risk. The present five-year rollout approach should be substituted with a rolling two-year planning structure, as in our view this will enhance both accountability and agility. The initial review under this revised approach should be completed within three months of acceptance of these recommendations
- continue with standardisation of the use of SAP and other relevant government systems. We found that SSPs have taken reasonable steps to mitigate risks associated with applications other than SAP that are nearing the end of their supported life
- establish a process standardisation program to be run as an integral part of the Corporate Solutions Program. While there is an existing program for process standardisation it must proceed in a unified fashion with the systems rollout. This may best be done by passing responsibility for both programs to an integrated team.

#### e) Action plan

Given the multiple dependencies and complexity for the Queensland Government's shared services needs, we acknowledge that there is a need for robust and detailed planning for the implementation of these changes. To enable rapid, sustainable progress, a number of streams of activity will need to be run in parallel, as outlined below:

- **Stream 1 'Laying the Foundations' -- by December 2010**  
The first stream requires a further detailed level of analysis of the recommendations provided in this report, commitment to the preferred approach and communication with key stakeholders. A framework should be developed at this stage to track the benefits realised through transition to the target state.
- **Stream 2 'Getting to the Transition State' -- by June 2011**  
We expect that the transition to the proposed target state will take some time. Therefore, a number of smaller key transitional changes are proposed in the short-term with an expectation that the transition state will be in place by June 2011. We anticipate that the transition state will be in place for a further 1 to 2 years, until the target state operating model can be fully planned and implemented.  
We recommend that, as part of the transition to the target state and to enhance clarity and mandate, consideration be given to the role and responsibilities of the QGCIO, including the option of this role being a statutory officer.



- **Stream 3 'Realign the Corporate Solutions Program' – by June 2011**  
As a key component of the transition to the target state, we recommend revisiting the Corporate Solutions Program roadmap. Queensland Government needs to determine the appropriate sequencing and disciplines to be applied for the future application rollout or upgrades, using an agreed framework that is driven by business benefit, risk and cost.
- **Stream 4 'Getting to the Target State' – by June 2013**  
Following the completion of Streams 1 to 3, the transition to the target state should include the continuation of ongoing activities established in the previous streams (such as six-monthly reporting to Cabinet), with regular monitoring and review of all activities over the 1 to 2 year period.

#### Change management is a critical enabler of project success

The failure rate of business change projects is high. To enable the successful delivery of this complex project, appropriate and comprehensive change management programs and activities should be planned and undertaken, commencing from the outset of the project.

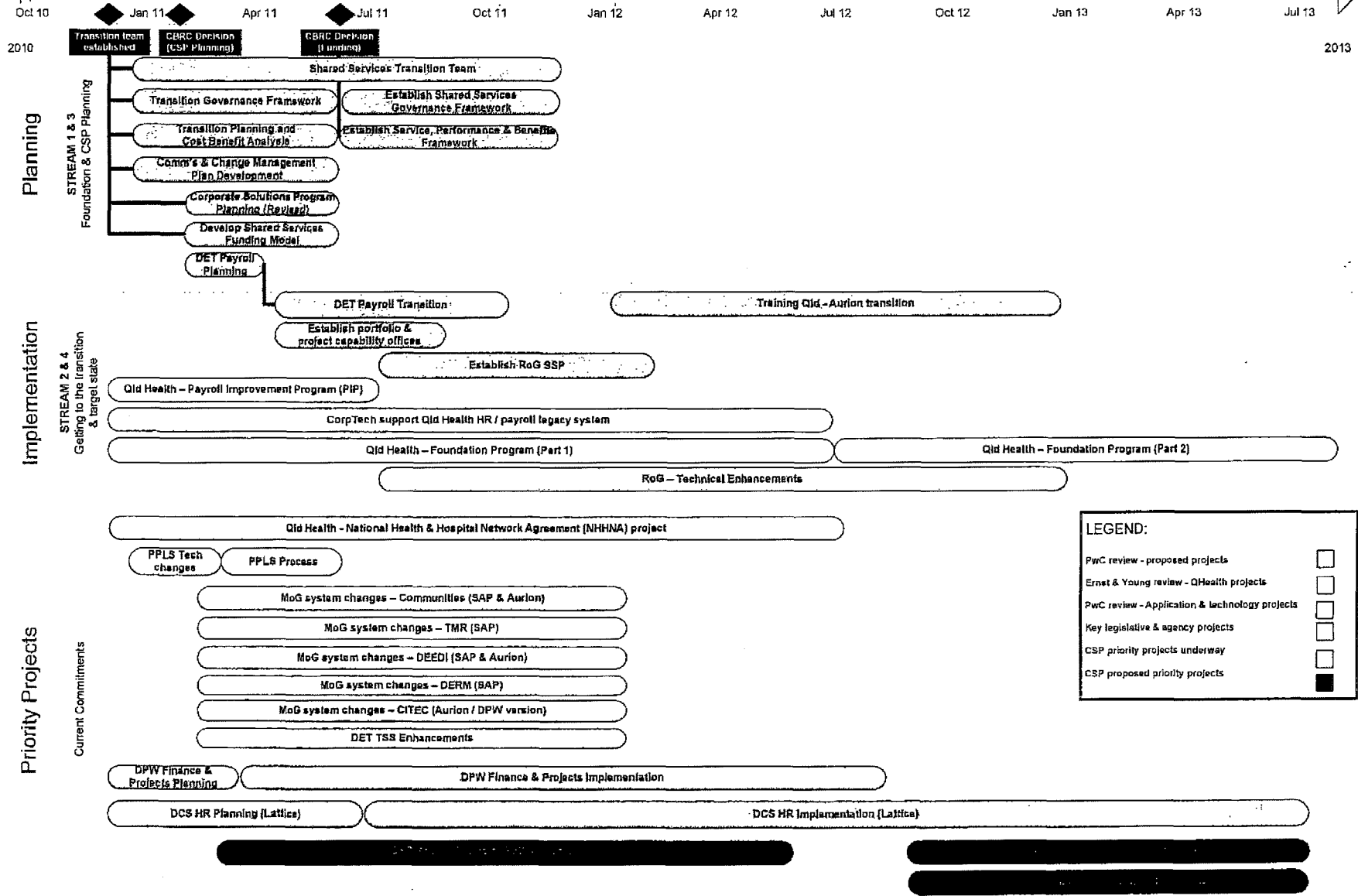
#### f) Conclusion

In summary, we recommend that:

- shared services remains a valid option for Queensland Government, and that an optimised shared service model is implemented to enable Government to focus on delivery of its 'Toward Q2' priorities
- Queensland Government implement an integrated shared operating model which combines the benefits of central control, standardisation and scale with a flexible, service-centric approach. The three components of this model are separate shared service provision for each of QH, DET and RoG
- the governance of shared services be characterised by clarity, inclusive representation, open communication and joint performance improvement
- standardisation of systems remain a long-term objective for the improvement of shared services. It is important to recognise that while standardisation of technical solutions is appropriate, benefits will remain limited without standardisation of associated business processes.

<b>Proposed change 1: Accountable Officers</b>		
<b>Proposed changes</b>	<ul style="list-style-type: none"> <li>▪ The Director-General, Department of the Premier and Cabinet, is to be accountable for the whole-of-Government shared services initiative, which is to focus on strategy, planning, policy, project delivery and service delivery that supports the 'Toward Q2' vision</li> <li>▪ The Director-General, Queensland Health (QH), is to be accountable for the management of QH finance and HR/payroll business applications</li> <li>▪ The Director-General, DET, is to be accountable for the management of DET finance and HR/payroll business applications</li> <li>▪ The Director-General, Department of Public Works (DPW), is to be accountable for the management of rest of Government (RoG) finance and HR/payroll business applications</li> <li>▪ The accountability of the QGCIO is to be reinforced, in reference to the strategy, standards, policy and planning for technology and information relating to whole-of-Government shared services</li> </ul>	
<b>Actions and timing</b>	<ul style="list-style-type: none"> <li>▪ Formalise the current Project Steering group as the Shared Services CEO Sub-Committee. This group will also oversee the proposed transition</li> </ul>	End Oct 2010
	<ul style="list-style-type: none"> <li>▪ Establish a transition project office</li> </ul>	End Oct 2010
	<ul style="list-style-type: none"> <li>▪ Complete the current cost/benefit analysis work on preliminary evaluation of report recommendations</li> </ul>	End Nov 2010
	<ul style="list-style-type: none"> <li>▪ Document the current state for each SSP and develop a full transition plan for the change</li> </ul>	End Mar 2011
	<ul style="list-style-type: none"> <li>▪ Plan the transition of responsibility for business applications management from CorpTech to SSA, DET and QH</li> </ul>	End Jun 2011
<b>Proposed change 2: Governance of shared services projects</b>		
<b>Proposed changes</b>	<ul style="list-style-type: none"> <li>▪ The Directors-General of each agency are to be accountable for the delivery of project outcomes for shared services projects in their respective departments</li> <li>▪ A new central body is to be set up under the QGCIO to provide specialist expertise that supports the delivery of agency projects</li> <li>▪ A new central body is to be set up under the QGCIO for portfolio management of shared services projects</li> </ul>	
<b>Actions and timing</b>	<ul style="list-style-type: none"> <li>▪ Report on the progress of key shared services projects at the CEO Leadership Team (CLT) and in periodic Cabinet reporting</li> </ul>	Oct 2010 onwards
	<ul style="list-style-type: none"> <li>▪ Review the use of QGCIO mandated methodologies and include this in periodic Cabinet reporting</li> </ul>	Dec 2010 onwards
	<ul style="list-style-type: none"> <li>▪ Relocate specialists from CorpTech and augment in a centre of project capability with the QGCIO</li> </ul>	End Jun 2011
	<ul style="list-style-type: none"> <li>▪ Relocate specialists from CorpTech and augment capability into a Shared Services Strategy, Planning and Portfolio Management Group under the QGCIO</li> </ul>	End Jun 2011
<b>Proposed change 3: Governance of whole-of-Government shared services</b>		
<b>Proposed changes</b>	<ul style="list-style-type: none"> <li>▪ A new Shared Services CEO Sub-Committee, chaired by the Director-General, DPC, is to have oversight of the delivery, performance and improvement of core finance and HR/payroll services, of the whole-of-Government strategy for shared services and of the transition to target state for shared services</li> </ul>	
<b>Actions and timing</b>	<ul style="list-style-type: none"> <li>▪ Develop a detailed implementation plan for the establishment of the new governance model</li> </ul>	End Dec 2010
	<ul style="list-style-type: none"> <li>▪ Set out performance measures on the whole of-Government shared services initiative and report progress to Cabinet every six months</li> </ul>	Starts Dec 2010
<b>Proposed change 4: The role of the QGCIO</b>		
<b>Proposed changes</b>	<ul style="list-style-type: none"> <li>▪ Government to formally consider the role of the QGCIO to improve whole-of-Government consistency, accountability and clarity including the option of this role being a statutory officer</li> </ul>	
<b>Actions and timing</b>	<ul style="list-style-type: none"> <li>▪ Conduct a full review of role and responsibilities of the QGCIO function, including potential change plan</li> </ul>	End Nov 2010
<b>Proposed change 5: Corporate Solutions Program</b>		
<b>Proposed changes</b>	<ul style="list-style-type: none"> <li>▪ Realistically assess the roadmap for the Corporate Solutions Program (CSP) to confirm the costs and timeframes for rollout of shared services systems to each agency</li> </ul>	
<b>Actions and timing</b>	<ul style="list-style-type: none"> <li>▪ Formally review business cases and prioritisation of projects to realign the CSP, including MoG changes, to focus firstly on a rolling 2 year planning horizon</li> </ul>	End Jun 2011

# Attachment 5 - Proposed Shared Services Transition Plan





Shared Services  
Future Roles and Responsibilities

BAU		Whole of Government	
<b>Governance</b>			
CEO Shared Services sub-committee	<p>Oversight of the delivery, performance and improvement of core finance and HR/payroll services for the whole-of-Government</p> <p>This group will be accountable for adding on the ongoing operating model, management arrangements, service levels, performance metrics, funding arrangements and continuous process improvement</p> <p>Key performance indicators for each SSP e.g.: average costs per transaction, average turn-around time and client satisfaction as compared with other internal SSPs and external providers</p> <p>Accountability for approving business cases for new business solutions, prioritising and publishing the program of work on a two-year rolling schedule, and for the provision and sharing of program/project management, implementation and benefits realisation frameworks</p> <p>Over-see full transition to the target state</p> <p>Reinforcement of project stage-gating for approval of projects</p> <p>Ensure compliance with OGCIO and other Queensland Government project and governance methodologies e.g.: investment approvals &amp; management of CSP</p>	<p>Executive Sponsor Shared Services (DG DPC), Under-Treasurer, DG CH, DG DET, DG DPW, OGCIO, other customer agencies on rotation, Public Service Commissioner, independent external representation (private sector)</p>	Cabinet and CEO Leadership Team
Secretariat Shared Services	Focus on performance management, funding model approaches and on-going process, technology improvements		CEO Shared Services sub-committee
D-G CH	Accountable officer responsible for their respective dedicated in-house SSPs		CEO Shared Services sub-committee
D-G DPW	Accountable officer for the 'business as usual' service provider for PoG		CEO Shared Services sub-committee
D-G DET	Accountable officer responsible for their respective dedicated in-house SSPs		CEO Shared Services sub-committee
Agency CEO	Agency CEO's using shared services remain responsible for the overall corporate services function delivered to the agency		Agency D-G
<b>SSP</b>			
CH SSP	<p>Maintain separate SAP Finance and HR/Payroll solutions into the future</p> <p>Continuous process improvement</p> <p>Applications Management</p> <p>Priorities for fix, patch, minor enhancements</p> <p>Cross sector knowledge sharing</p>		D-G CH
DET SSP	<p>Maintain separate SAP HR/Payroll solutions into the future</p> <p>Continuous process improvement</p> <p>Applications Management</p> <p>Priorities for fix, patch, minor enhancements</p> <p>Cross sector knowledge sharing</p>		D-G DET
DPW SSP	<p>Maintain rest of Government SAP Finance and HR/Payroll solutions into the future</p> <p>Consolidate into a single RoG SAP Finance and HR/Payroll solution</p> <p>Continuous process improvement</p> <p>Applications Management</p> <p>Priorities for fix, patch, minor enhancements</p> <p>Cross sector knowledge sharing</p>		D-G DPW
<b>OGCIO</b>			
OGCIO	<p>To be accountable for the strategy, standards, policy and planning for technology and information relating to whole-of-Government shared services</p> <p>Responsible to Executive Sponsor of Shared Services (DG DPC)</p> <p>Reinforce mandate of OGCIO</p> <p>Allow greater independence in relation to high risk project decisions and project review/investigations</p> <p>Encourage a broader level of compliance with OGCIO and other Government frameworks</p> <p>Ensure high-risk projects are managed centrally. Ensuring expertise is applied during earlier project stages</p> <p>OGCIO as a statutory officer will provide clarity of roles and mandates, independent view for project owners and Government, provide strategic view and Governance advice, establish project management expertise, standardised policies across the Government sector, greater power to ensure that essential/critical works are planned and delivered</p>		Executive Sponsor of Shared Services (DG DPC)
SSSPMNG	<p>Benchmarking comparisons are to conclude comparison with both Queensland Government internal entities and relevant external entities.</p> <p>Support the Executive Sponsor for shared services</p> <p>Set whole-of-Government shared services strategy and priorities</p> <p>Drive continuous improvement, planning and implementation</p> <p>Determining, driving and measuring whole-of-Government outcomes</p> <p>Shared services portfolio prioritisation, including coordinating and administering the Corporate Solutions Program</p> <p>Integration portfolio planning incorporating RoG SSP, DET and CH</p> <p>Maintaining portfolio, program and project management and the implementation frameworks, tools and templates</p> <p>Facilitate knowledge sharing between agencies</p> <p>Provide specialist Program Management capability and support to active projects</p> <p>Providing representation on agency project boards for all Corporate Solutions Projects</p>		OGCIO
CSPPCG	<p>Perform a solution governance role over the shared services architecture, design and integration of the standardised suite of corporate applications.</p> <p>Ensure that customisation are avoided and that 'vanilla' software is implemented wherever possible</p> <p>Provide guidance on technical and functional issues</p> <p>Provide input to impact assessments for significant change requests</p> <p>Advisory role to SS CEO sub-committee on the strategic direction for the WoG business solution.</p> <p>Support project rollouts and ensure consistency across projects delivered within the CSP</p> <p>Maintenance of Shared Services roadmap</p>		OGCIO
Agency D-Gs	<p>Accountable for the delivery of project outcomes for shared services projects in their respective departments</p> <p>Business cases for projects to improve shared services will be sponsored by the agency DG</p> <p>Staff training on Agency Governance accountability</p>		CEO Shared Services sub-committee
Agency Sponsor	Senior manager who directs and champions the establishment and evolving operation of their Agency lead projects. Ideally a member of the main board		Agency D-G
Project Boards	The Project Board is responsible to Agency / Government for the overall direction and management of the project and has responsibility and authority for the project within the Project Mandate set by Agency / Government.	SSSPMNS, Senior supplier, Senior User, Project Executive	Agency D-G
D-G DPC	<p>Executive Sponsor for Shared Services across whole-of-Government</p> <p>Ensure there is a common consistent understanding of the shared services vision and expected behaviours across the whole-of-Government</p> <p>Sponsor will have legitimate authority to intervene where individual agencies fail to act in accordance with this vision and behaviours</p> <p>Sponsor will report to cabinet on a six monthly basis on the status of shared services across the whole-of-Government and on the progress of key initiatives</p>		CEO Shared Services sub-committee

## Attachment 7 - Estimated Costs

## Estimated Costs

Function / Item	Note	Implementation costs			Total Implementation costs	Annual Operating Expenditure
		2010 - 2011	2011 - 2012	2012 - 2013		
<b>Technical Infrastructure for Queensland Health</b>						
Health separate technical environment		\$660	\$3,630	\$8,105	\$10,395	
Health separate technical environment - implementation costs		\$165	\$495	\$990	\$1,650	
Health separate technical environment - operating costs						\$2,970
<b>Sub-Total Technical Infrastructure</b>	<b>1, 2, 3</b>	<b>\$825</b>	<b>\$4,125</b>	<b>\$7,095</b>	<b>\$12,045</b>	<b>\$2,970</b>
<b>Corporate Solutions Program Centre of Project Capability</b>						
Project Managers		\$195	\$780	\$780	\$1,755	\$780
Functional experts		\$205	\$820	\$820	\$1,845	\$820
Project officers and administration		\$169	\$675	\$675	\$1,519	\$675
<b>Sub-Total Project Capability</b>	<b>4</b>	<b>\$569</b>	<b>\$2,275</b>	<b>\$2,275</b>	<b>\$5,119</b>	<b>\$2,275</b>
<b>Shared Service Strategy, Planning &amp; Portfolio Management</b>						
Solution Design Authority		\$262	\$1,049	\$1,049	\$2,360	\$1,049
Portfolio, Risk and Reporting		\$262	\$1,049	\$1,049	\$2,360	\$1,049
<b>Sub-Total Planning &amp; Portfolio Management</b>	<b>5</b>	<b>\$525</b>	<b>\$2,098</b>	<b>\$2,098</b>	<b>\$4,721</b>	<b>\$2,098</b>
<b>Offset Opportunities</b>						
Strategy and planning functions transitioning from CorpTech		-\$639	-\$2,555	-\$2,555	-\$5,749	-\$2,555
<b>Sub-Total Offsets</b>	<b>6</b>	<b>-\$639</b>	<b>-\$2,555</b>	<b>-\$2,555</b>	<b>-\$5,749</b>	<b>-\$2,555</b>
<b>Total for project capability and planning groups</b>		<b>\$455</b>	<b>\$1,818</b>	<b>\$1,818</b>	<b>\$4,091</b>	<b>\$1,818</b>
<b>Transition Project Office and Implementation</b>						
Labour and related costs		\$721	\$1,442	\$0	\$2,163	
Consultancy/contractor costs		\$192	\$285	\$0	\$480	
Implementation funding		\$150	\$500	\$500	\$1,150	
<b>Total Transition Project Office and Implementation Costs</b>	<b>7, 8</b>	<b>\$1,063</b>	<b>\$2,230</b>	<b>\$500</b>	<b>\$3,793</b>	<b>\$0</b>
<b>Totals</b>		<b>\$2,343</b>	<b>\$8,173</b>	<b>\$9,413</b>	<b>\$19,929</b>	<b>\$4,788</b>

## Notes:

1. The \$12 million for Queensland Health technical infrastructure is included in a separate submission responding to the Ernst & Young report as a component of the estimated costs for Queensland Health's Payroll Foundation Program. This is a preliminary estimate which will be subject to further detailed planning.
2. These are the the estimated costs of additional technical infrastructure, common software, project management and associated implementation costs to establish the separate technical system environment based on advice received from SAP, CITEC and CorpTech.
3. Late in 2009 the Department of Public Works commissioned SAP Australia to develop implementation options for the Corporate Solutions Program. SAP provided expert advice on how to provide separate system environments to support the differing business needs of the two shared service providers using SAP for human resource/payroll and finance. CITEC were engaged to provide cost estimates on implementing the infrastructure to support the recommendations.
4. Additional resourcing is required for the Corporate Solutions Program Centre of Project Capability group to supplement existing resourcing. This includes senior project managers and functional experts. This group will commence in April 2011 and will be funded by appropriation.
5. Additional resourcing is required for the Shared Services Strategy, Planning and Portfolio Management group for the new responsibilities of this group and to supplement existing resourcing. This includes the new responsibilities of shared service policy development, monitoring and reporting and enhancing the portfolio management function. This group will commence in April 2011 and will be funded by appropriation.
6. This is the funding for the existing functions within CorpTech that will transition to form the Shared Services Strategy, Planning and Portfolio Management and Corporate Solutions Program Centre of Project Capability groups from April 2011. In future, this will be funded by appropriation funding (rather than cost recovery from agencies).
7. This funding is for a Transition Project Office of about eight staff for six months in 2010-11 and 12 months in 2011-12 to oversee implementation activities.
8. This is implementation funding for a period of three years for the rest-of-government shared service provider to contribute towards change management, the development of skills (including governance responsibilities) and organisational realignment.

**Joint Statement:****Premier and Minister for Arts  
The Honourable Anna Bligh****Minister for Public Works and Information and Communication  
Technology  
The Honourable Robert Swarten**

Monday, November 15, 2010

**Queensland Government response to the PricewaterhouseCooper's review of Shared Services**

The state Government today announced they have approved all recommendations in the PricewaterhouseCoopers review and will retain the shared services operating model.

In light of PricewaterhouseCoopers recommendations it has been agreed that Queensland Government will abandon the one-size-fits-all approach for payroll across all departments.

Whilst the principles behind the current shared service model work, the Queensland Government recognises there is the ability for larger agencies to remain independent in providing their internal corporate services.

Premier and Minister for Arts Anna Bligh advised that the shared services future operating state will consist of three shared service providers; Queensland Health, Department of Education and Training and rest-of-Government (all other agencies).

"Following PwC's recommendations three shared service providers will be created to form the future shared services model. Queensland Government recognises the need for larger agencies, like Queensland Health and Department of Education and Training, to remain independent in order to successfully deliver and fund their corporate services, including their payroll," Ms Bligh said.

The Premier assured that all PwC recommendations implemented will form part of a carefully planned transition project, which will ensure there is minimal disruption to agencies and the important payroll and financial services delivered to Government.

"The right governance model is crucial for successful delivery of shared services. Today I have asked the Director-General of Premier and Cabinet to chair a newly formed Shared Services CEO sub-committee, which will be held accountable for the delivery of shared services across the whole-of-Government," Ms Bligh said.

"Government will now consult with all staff and unions regarding the acceptance of the PwC recommendations," she said.

Public Works Minister Robert Swarten today also welcomed the report by PricewaterhouseCoopers.

"We welcome all suggested improvements in our current shared services model", Mr Swarten said.

Mr Swarten added, "A new rest-of-Government shared service provider will be formed and will provide shared human resource, payroll and finance services to all agencies. With exception to the two larger agencies, Qld Health and DET, that will be separated from the rest-of-Government."

"The rest-of-Government shared service provider will improve the ongoing delivery of services from the Department of Public Works to all remaining Government agencies.

To progress this program of work a transition project team has already been established within the Department of Public Works to lead the planning and implementation of the PricewaterhouseCoopers review recommendations", Mr Swarten said.



**Joint Statement:****Premier and Minister for Arts  
The Honourable Anna Bligh****Deputy Premier and Minister for Health  
The Honourable Paul Lucas****Minister for Public Works and Information and Communication  
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"Government will now consult with all staff and unions regarding the acceptance of the PwC recommendations," she said.

Deputy Premier and Minister for Health Paul Lucas said the new model would help to strengthen the services delivered internally to Government.

"I welcome the PwC report recommendations which suggest strengthening the shared services model. In the new model we are returning control to our larger agencies, like Queensland Health, so they can drive and manage their own internal corporate services," Mr Lucas said.

"The new model will further empower Queensland Health to respond to the complexity of their payroll business requirements whilst allowing the smaller agencies to gain economies of scale by being managed by the rest-of-Government shared service provider," he said.

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SECURITY CLASSIFICATION "A"

SUBMISSION TO CABINET BUDGET REVIEW COMMITTEE

**COVERSHEET****TITLE**

Queensland Government response to the Ernst & Young Review of Queensland Health's payroll and rostering solutions

**MINISTER**

Deputy Premier and Minister for Health

**OBJECTIVE**

That the Cabinet Budget Review Committee (CBRC) note and accept recommendations of the Ernst & Young Review and approve funding to continue the Queensland Health Payroll Improvement Program and, consistent with the review recommendations, commence implementing a Payroll Foundation Program.

**SUMMARY**

The Auditor-General's Report No.7 to Parliament of 29 June 2010, raised concerns regarding project governance in relation to implementation of the Queensland Health payroll system, including a lack of clarity regarding the roles and responsibilities of accountable officers and a range of 'post go-live' issues including rostering system performance and the complexity of Queensland Health Award structures.

In response to the Auditor-General's Report, on 29 June 2010 the Government committed to implementing all seven Report recommendations and released a Government Response Plan.

The Payroll Stabilisation Project and Payroll Improvement System have achieved a significant improvement in the performance of the pay each fortnight. This has required, however, an additional approximately 400 FTE payroll officers to support the system by undertaking significant processing of forms and manual intervention.

On 2 July 2010, Queensland Health engaged Ernst & Young to conduct a review of the Queensland Health rostering and payroll systems to establish their ongoing suitability, make recommendations for the future operation of rostering and payroll in Queensland Health. The report from Ernst and Young was received on 30 September 2010 (**Attachment 3**) and makes the following key recommendations:

- The most effective and efficient low risk option for Queensland Health is to stabilise and optimise the existing rostering and payroll solution (including use of SAP and WorkBrain);

- Initiate payroll optimisation work separate to the current payroll improvement work and combine when initiated; and
- Establish governance and management arrangements as part of the initiation phase.

Ernst and Young have provided a supplementary report that provides more detail regarding the implementation of their recommendations and proposes two phases of work. The first phase, referred to as "Foundation" includes those changes to the system that are considered essential to ensure that the system runs efficiently. The second phase, "Expansion" includes those changes that will add additional functions to the system to make it more contemporary. However, the Expansion changes are not essential to deliver a quality pay.

The Foundation changes would take 18 months to implement, following a two month planning and procurement phase. The key Foundation changes include:

- Reconfiguration of leave between WorkBrain and SAP;
- Reconfiguration of termination between WorkBrain and SAP;
- Development of a security hierarchy for WorkBrain to establish groups of employees rather than all 78,000; and
- Development of e-forms for roster and AVAC (Attendance Variation and Allowance Claims) submission.

Preliminary estimates indicate that the cost for the 18 months for the Foundation phase would be approximately \$55.0 million. This is a preliminary estimate with an 80% confidence level with a range from \$44.0 million to \$66.0 million.

In addition to the project resource costs, it is estimated that an additional \$12.0 million one-off and \$3.0 million recurrent will be required to establish a system development environment. This funding is included in the joint DPC and DPW submission regarding the implementation of the PricewaterhouseCoopers review of shared services.

Commencing the Payroll Foundation Program immediately will enable the program to be initiated while the Payroll Improvement Program completes its work as recommended in the Ernst and Young report.

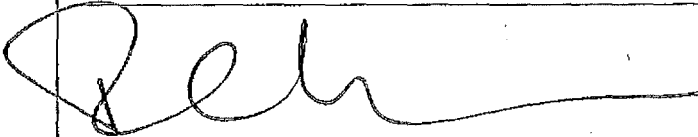
The development of the re-configured rostering and payroll applications provides an opportunity to commence the transition to the new environment while maintaining the current arrangements for the production system thus reducing the risks to the operation of the current system. To achieve this, Queensland Health would undertake the development of the new system under the proposed new shared service arrangements while continuing the existing production system under the current arrangements and make the full transition to the new arrangements following the implementation of the re-configured system.

## RESULTS OF CONSULTATION

- **Is there agreement? YES.** See paragraphs 45 and 46 of body of submission.

**RECOMMENDATIONS**

That the recommendations outlined in **Attachment 1** of the submission be approved.



**PAUL LUCAS MP**  
**Deputy Premier**  
**Minister for Health**

17/11/2010

**RECOMMENDATIONS**

That Cabinet Budget Review Committee (CBRC):

1. note and accept the recommendations of the Ernst & Young Review of payroll and rostering solutions for Queensland;
2. approve continuation of the Payroll Implementation Program to ensure payroll processing continues while implementing the Ernst & Young recommendations;
3. approve the continuation of the approximately 400 additional payroll staff to ensure processing of the pay while the Payroll Foundation Program is implemented;
4. approve the commencement of a Foundation Project, as recommended by the Ernst & Young Review, with the first deliverable to be a project plan and budget to be submitted to CBRC for consideration by late January 2011;
5. note that the estimated costs of the Payroll Implementation Program, additional payroll staff and Payroll Foundation Program are:
  - a. Payroll Implementation Program: estimated cost of \$46.6 million over two years with \$31.2 million in 2010/11;
  - b. Additional Payroll Staff: estimated cost of \$107.1 million over three years with \$46.0 million in 2010/11;
  - c. Payroll Foundation Program: estimated cost of \$55.0 million (80% confidence estimate) over three years to 2012/13;
6. note that a funding strategy for the Payroll Implementation Program, additional payroll staff and Payroll Foundation Program will be developed by Queensland Health in consultation with Queensland Treasury; and
7. approve that the re-configured payroll systems be developed and implemented in a dedicated Queensland Health environment managed by CITEC with direct contractual relationship to Queensland Health.

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**BODY OF SUBMISSION**


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**OBJECTIVE**

1. That the Cabinet Budget Review Committee (CBRC) note and accept recommendations of the Ernst & Young Review and approve funding to continue the Queensland Health Payroll Improvement Program and, consistent with the review recommendations, commence implementing a Payroll Foundation Program.

**BACKGROUND**

- **Context**

2. The Auditor-General's Report No.7 to Parliament of 29 June 2010, raised concerns regarding project governance in relation to implementation of the Queensland Health payroll system, including a lack of clarity regarding the roles and responsibilities of accountable officers and a range of 'post go-live' issues including rostering system performance and the complexity of Queensland Health Award structures.
3. The Auditor-General's Report also raised concerns with respect to ICT governance more generally and detailed seven key recommendations (see **Attachment 1** for a summary of the key findings and recommendations).
4. In response to the Auditor-General's Report, on 29 June 2010 the Government committed to implementing all seven Report recommendations and released a Government Response Plan (see **Attachment 2**).
5. The Government Response Plan committed the Government to:
  - *A Better payroll model*, including implementing a "localised payroll model that features direct services between payroll hubs and hospital unit managers" with each hospital "linked to a specific payroll hub by the end of September" and the creation of two new payroll hubs;
  - *The best software system*, including re-examining the decision to implement WorkBrain with SAP to be undertaken by Ernst & Young;
  - *Holding IT adviser accountable*, including issuing a "Notice to Show Cause" to IBM in relation its project management role in implementing the payroll system;
  - *Strengthening Queensland Health Corporate Services* to reduce bureaucracy and move to a localised model; and
  - *Reviewing the future of CorpTech and shared services* including abandoning a one-size-fits all shared services model and commissioning PricewaterhouseCoopers to conduct a review of the shared services business model.

**Ernst & Young Review**

6. On 2 July 2010, Queensland Health engaged Ernst & Young to:
    - Conduct a review of the Queensland Health rostering and payroll systems to establish their ongoing suitability;
    - Ascertain the potential improvement or replacement options available
    - Consult with unions and staff;
    - Undertake a payroll and rostering vendor analysis;
    - Undertake a peer review of other health organisations – nationally and internationally; and
    - Make recommendations for the future operation of rostering and payroll in Queensland Health.
  
  7. The report from Ernst and Young was received on 30 September 2010 (Attachment 3) and makes the following key recommendations:
    - The most effective and efficient low risk option for Queensland Health is to stabilise and optimise the existing rostering and payroll solution (including use of SAP and WorkBrain);
    - Initiate payroll optimisation work separate to the current payroll improvement work and combine when initiated;
    - Payroll optimisation estimated to take up to 3 years;
    - Need to ensure that licensing arrangements, contractual arrangements, vendor obligations, warranties and commercial arrangements are negotiated satisfactorily;
    - Commence optimisation work as soon as possible with initiation phase to take 3 months; and
    - Establish governance and management arrangements as part of the initiation phase.
  
  8. This submission seeks funding to implement actions arising from the recommendations of the PricewaterhouseCoopers and Ernst & Young Reviews.
- **Previous Consideration by Cabinet**
9. On 26 October 2010, Queensland Health commenced providing a fortnightly report to CBRC on the progress of the Payroll Implementation Program.

**URGENCY**

10. In a media release of 1 October 2010, the Government committed to responding to the Ernst & Young Reports by the end of November this year following consultation with unions and staff.



## ISSUES

**Implementation of the response to the Auditor-General report**

11. Queensland Health was responsible for implementing three components of the Government's response to the Auditor-General's report: a better payroll model, the best software system and strengthening Queensland Health Corporate Services.

*Better payroll model*

12. All district health services have been linked to a specified payroll hub.
13. A Hub Manager has been appointed to the Mackay and Gold Coast Hubs. There are approximately 40 staff working from the payroll office on the Gold Coast and the Mackay district payroll work has been separated from other districts with staff currently working from Mackay and Rockhampton.
14. All districts have personalised access to their linked payroll hub to resolve payroll questions and issues. Contact can be made directly with the payroll hub or scheduled appointments can be made to resolve more complex issues.
15. 132 payroll staff across the state have had full training in SAP and a further 480 training events have been held for specific functions of SAP. 658 payroll staff have been fully trained in WorkBrain. This will ensure that all forms can be processed by the district's linked payroll hub.
16. The central fax server where all payroll forms are sent, has been re modelled to allow forms to be directed specifically to the linked payroll hub for each district. These arrangements are in place in multiple sites across the state.
17. A web based payroll portal, to complement the existing fax server forms processing, is being trialled and will strengthen the personal link between the district and the payroll hub when it is implemented in the near future.
18. In line with our commitment to payroll staff, a job re-evaluation process is being undertaken across the state. The job re-evaluation process is developing new position descriptions in line with the new payroll model. These position descriptions will be evaluated and payroll staff remunerated accordingly.
19. Work to further improve the readability of payslips and enhance the roster output has begun. Extensive staff consultation will occur across the state over the next three months.

***Best software system***

20. The Ernst and Young report has been received and this submission deals with the recommendations from the report.

***Strengthened Queensland Health Corporate Services***

21. KPMG have completed their work to reorganise Corporate Services. The functions of Corporate Services have been split into two areas with one focusing on financial matters and the other focussing on human resources.
22. An acting DDG Finance, Procurement and Legal Services has been appointed to the newly created division.
23. Applications for the two new positions have closed and interviews have commenced. The final interviews for the DDG Human Resource Services occur on 17 November 2010 and the final interviews for the DDG Finance, Procurement and Legal Services occur on 30 November 2010. Announcements for the new appointees are expected in late November and early December respectively.
24. The newly structured corporate services will strengthen Queensland Health's ability to deliver a more localised model of service in line with the national health reform agreement.

***Payroll Improvement Program***

25. The current Payroll Improvement Program (PIP) is progressing incremental fixes to the payroll system and is undertaking the following activities:
- implementation of the new payroll operating model;
  - implementation of payroll system fixes with monthly system improvement releases;
  - redevelopment of the layout and content of payslips;
  - redevelopment of the roster output from the payroll system;
  - changes to the payslip distribution process;
  - development and implementation of a new web-based payroll portal for the submission of rosters and forms; and
  - implementation of software to assist payroll staff analyse staff payroll data to answer queries.
26. The Payroll Stabilisation Project and Payroll Improvement System have achieved a significant improvement in the performance of the pay each fortnight. This has required, however, an additional approximately 400 FTE payroll officers to support the system by undertaking significant processing of forms and manual intervention.

27. Following the implementation of the new payroll system, there were more than 60,000 outstanding adjustments plus approximately 20,000 adjustments from the old Lattice system. Each fortnight, approximately 40,000 adjustments are received so the backlog has a significant impact on the quality of the pay.
28. All Lattice adjustments were completed before the end of June 2010. For the pay period ending Sunday 17 October 2010, there were approximately 8,500 adjustments carried forward into the next roster cycle. This represents approximately two days of adjustments and resembles business as usual when compared to the previous payroll system.

#### **Ernst and Young Report**

29. Queensland Health supports all recommendations of the Ernst & Young Report (see **Attachment 4** for a summary of recommendations and responses).
30. Subsequent to the receipt of the Ernst and Young Report, Ernst and Young were requested to provide a supplementary report describing in more detail the aspects of the rostering and payroll solution that need to be improved and to provide further details regarding the implementation of this work. **Attachment 5** is a copy of the supplementary Report.
31. The supplementary report identifies that there are two categories of activity that need to be implemented.
32. The first category, referred to as "Foundation" includes those changes to the system that are considered essential to ensure that the system runs efficiently. The second category, referred to as "Expansion" includes those changes that will add additional functions to the system to make it more contemporary. However, the Expansion changes are not essential to deliver a quality pay.
33. The Foundation changes would take 18 months to implement, following a two month planning and procurement phase. The Foundation changes cover the following aspects of the system:
  - Reconfiguration of leave between WorkBrain and SAP;
  - Reconfiguration of termination between WorkBrain and SAP;
  - Development of a security hierarchy for WorkBrain to establish groups of employees rather than all 78,000;
  - Development of a payroll data entry portal for WorkBrain and SAP;
  - Development of e-forms for roster and AVAC submission;
  - Development of a web based payroll form portal; and
  - Development of enhanced reporting for line managers.

34. The implementation of the above changes will reduce the time taken by payroll staff to process rosters and roster changes, as well as staff commencements, leave forms, movement forms and staff terminations. The reduced processing time will be delivered as a result of improving the business flow of the steps required to process forms as well as increasing the speed at which the applications process data due to undertaking fewer calculations to compete reports and queries.
35. The Expansion changes could be implemented following the Foundation changes and would take a further 18 months. The Expansion changes would deliver the Employee Self Service and the Manager Self Service components of the system. A decision to undertake the Expansion changes would not be required until towards the end of the Foundation phase.

#### **Governance of the Payroll Foundation Program**

36. KPMG have been requested to identify the proposed governance, structure and resourcing of a project to deliver the Foundation changes.
37. **Attachment 6** outlines the proposed governance and management structures recommended by KPMG.

#### **CONSULTATION**

- **Community**

38. There has been no general community consultation regarding this submission, however, all relevant unions were consulted in the preparation of the Ernst & Young Review and on the final Report recommendations.
39. The health unions have been briefed on the recommendations in the main report and the supplementary report.

- **Government**

40. Ernst & Young consulted broadly across Queensland Health stakeholders in undertaking the review. Queensland Health staff in 8 payroll processing locations were consulted across regional and remote Queensland.
41. The Department of Public Works supports the implementation of the recommendations from the Ernst and Young Report.

- ***Department of the Premier and Cabinet***

42. The Department of Premier and Cabinet has been consulted and have assisted in coordinating the preparation of this submission.

- ***Treasury Department***

43. Queensland Treasury has been consulted during preparation of this submission.

44. Given the current fiscal position and outlook, Queensland Treasury proposes that all Queensland Health costs associated with the payroll solution be funded within existing resources; including one-off savings from the More Beds for Hospitals funding (approximately \$119 million), reprioritisation of existing ICT projects and broader capital program, and reprioritisation of recurrent expenditure within Queensland Health. The Deputy Premier and Minister for Health does not support this proposal.

**RESULTS OF CONSULTATION**

45. DPC supports all recommendations of the Ernst & Young review but notes that further work is required by Queensland Health to finalise the cost of continuing the Payroll Implementation Program and commencing implementing the Payroll Foundation Program in 2010/11 and the source of these funds.
46. Queensland Treasury supports all recommendations of the Ernst & Young review but notes that further work is required by Queensland Health to finalise the cost of continuing the Payroll Implementation Program and commencing implementing the Payroll Foundation Program in 2010/11 and the source of these funds.

**RURAL/REGIONAL IMPACT STATEMENT**

47. Nil.

**EMPLOYMENT AND SKILLS DEVELOPMENT IMPACT STATEMENT**

48. Continuing the Payroll Improvement Program and Implementing the Ernst & Young Report will require the additional payroll staff currently employed to be retained until December 2012.

**CLIMATE CHANGE IMPACT STATEMENT**

49. Nil.

**FINANCIAL CONSIDERATIONS**

**Payroll Improvement Program**

50. The work of the Payroll Implementation Program has achieved the delivery of a pay each fortnight that resembles business as usual similar to the previous payroll system. If no further improvements are made, however, there will continue to be a need to employ significant additional staff at an ongoing cost of approximately \$46.0 million per annum.
51. Implementing the Payroll Foundation Program will allow additional payroll staff numbers to transitioned back to approximately 500 FTE (from the current approximately 900) in line with staff numbers prior to the implementation of the new payroll system.

52. The appointment of temporary payroll staff has been achieved through agency sourced staff and direct temporary appointments. Maintaining large numbers of temporary staff for approximately 2.5 years, will bring with it challenges in relation to staff seeking to be transferred to permanent status after this length of time. Queensland Health is undertaking an analysis of the current status of employment of payroll staff to develop a strategy to manage this over the life of the Payroll Foundation Project.
53. The total estimated cost for the Payroll Improvement Program is \$46.6 million over four years with \$31.2 million in 2010-11.
54. In addition to the cost of the Payroll Improvement Program is \$107.1 million over four years for additional payroll staff with \$46.0 million in 2010-11. It should be noted that a payroll officer classification assessment is currently being undertaken that may result in some payroll officer positions being reclassified. Queensland Health is working with the Shared Service Agency to undertake this assessment. A worst case scenario estimate of the cost has been undertaken indicating a potential cost up to \$6.6 million.
55. All existing Payroll Improvement Program projects will be finalised by June 2011 or will transition to the Payroll Foundation Program. The Payroll Improvement Program has employed approximately 41 project staff and contractors to undertake the program of work. At the time of transitioning the Payroll Improvement Program into the Payroll Foundation Program (estimated June 2011), these resources would no longer be required.
56. CorpTech has incurred additional costs to undertake the fixes and changes to the rostering and payroll systems, and to enhance the capacity of the ICT infrastructure to improve the speed and performance of the systems. These costs are estimated at \$15.4 million in 2010-11 and are included in the Payroll Improvement Program cost estimates outlined above.
57. CorpTech's work is prioritised through the Payroll Improvement Program. Some of the CorpTech costs are ongoing (ie additional CITEC costs) and some will become part of the Payroll Foundation Program costs from July 2011. These costs will be reviewed prior to the completion of the Payroll Foundation Program to determine what the ongoing system maintenance costs will be.

#### **Payroll Foundation Program**

58. Preliminary estimates indicate that the cost for the 18 months for the Foundation phase would be approximately \$55.0 million. This is a preliminary estimate with a 80% confidence level with a range from \$44.0 million to \$66.0 million. Note: KPMG are finalising this figure which currently doesn't include a cost estimate for SAP and Infor contractor costs.

59. In addition to the project resource costs, it is estimated that an additional \$12.0 million one-off and \$3.0 million recurrent will be required to establish a system development environment. This funding is included in the joint DPC and DPW submission regarding the implementation of the PricewaterhouseCoopers review of shared services.
60. Commencing the Payroll Foundation Program immediately would enable the program to be initiated while the Payroll Improvement Program completes its work as recommended in the Ernst and Young report.
61. To meet the tight 18 month timeframe for the implementation of the Payroll Foundation Program, it is essential that Queensland Health lead and manage the development of the system with direct contractual relationships with the vendors and contractors. Also, funding approval for the work would need to be provided prior to commencement. Finally, procurement exemptions would need to be used to ensure that all resources could be in place immediately.
62. The following table outlines the estimated costs for the Payroll Improvement Program and the Payroll Foundation Program:

**Estimated Costs for PIP and Payroll Foundation Program**

Component	2010/11 (\$,000)	2011/12 (\$,000)	2012/13 (\$,000)	2013/14 (\$,000)	TOTAL
<b>Payroll Improvement Program</b>					
Project staff and operating costs	9,080				9,080
Consultants and Contractors	6,740				6,740
CorpTech costs	15,400	15,400			30,800
<b>Sub Total</b>	<b>31,220</b>	<b>15,400</b>	<b>0</b>	<b>0</b>	<b>46,620</b>
<b>Additional Payroll Staff</b>	<b>46,039</b>	<b>46,039</b>	<b>15,000</b>	<b>0</b>	<b>107,078</b>
<b>Payroll Foundation Program</b>					
Project Staff, contractors and operating costs (80% confidence)	15,000	30,000	10,000		55,000
SAP and Infor Contractor costs	tba	tba	tba		tba
<b>Sub Total</b>	<b>tba</b>	<b>tba</b>	<b>tba</b>		<b>tba</b>
<b>Payroll Expansion Program</b>					
TBA					
<b>TOTAL</b>	<b>92,259</b>	<b>91,439</b>	<b>25,000</b>	<b>0</b>	<b>208,698</b>

**IMPLEMENTATION**

- 63. The establishment of the Payroll Foundation Program provides an opportunity to make the first move towards operating in a new shared services environment as recommended in the PricewaterhouseCoopers report.
- 64. CorpTech have the following responsibilities in relation to the current Queensland Health production payroll system:
  - Ownership of the system;
  - Provision of system support;
  - Organising the technical environment on which the system operates; and
  - Contractual relationship with Infor (WorkBrain) and SAP.
- 65. The recommendations within the PricewaterhouseCoopers report would see a change to these arrangements following the full implementation of the recommendations. Queensland Health would be responsible for components outlined above for which CorpTech are currently responsible.
- 66. The development of the re-configured rostering and payroll applications provides an opportunity to commence the transition to the new environment while maintaining the current arrangements for the production system. Queensland Health could undertake the development of the new system under the proposed new shared service arrangements while continuing the production system under the current arrangements and make the full transition to the new arrangements following the implementation of the re-configured system. The following table outlines the proposed responsibilities.

Component	2010-11		2011-12		2012-13
	Current Production System	New Development System	Current Production System	New Development System	New Production System
Ownership of the system	CorpTech	QH	CorpTech	QH	QH
Provision of system support	CorpTech	QH	CorpTech	QH	QH
Organising the technical environment on which the system operates	CorpTech	QH	CorpTech	QH	QH
Contractual relationship with Infor (WorkBrain) and SAP	CorpTech	QH	CorpTech	QH	QH

- 67. The re-configuration of the payroll system in line with the above arrangements will require cooperation between Queensland Health and CorpTech to ensure that sufficient technical resources to undertake the development and coding for the new system are available across both the production and development environments. The proposed implementation strategy also addresses the key governance issues raised by the Auditor-General and provides the opportunity for clarity of responsibility in relation to the new payroll system.



68. The following table provides an initial outline of project activity that will be undertaken to implement the Ernst & Young Review recommendations:

Activity	2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
PIP																
Additional Payroll Staff																
CorpTech costs																
Payroll Foundation																
Payroll Expansion (tba)																

69. Key milestone dates for the implementation of the Payroll Improvement Program and Ernst & Young Review recommendations include:

- Payroll Improvement Program finalised by mid 2011;
- Additional CorpTech support to conclude by mid 2012;
- Additional staffing requirements to cease by the end of 2012; and
- Payroll Foundation Project finalised and Queensland Health established as a standalone provider for Finance and HR systems by mid 2012.

70. As per the Ernst and Young Supplementary Report, the Payroll Foundation Project will have a two month initiation phase commencing December 2010, with the 18 month project commencing in February 2011 and concluding in July 2012.

**PUBLIC PRESENTATION**

71. A Ministerial media release will be made following CBRC's consideration of this matter.

CONSULTATION DETAILS

**Title of CBRC Submission:** Queensland Government response to the Ernst & Young Review of Queensland Health's payroll and rostering solutions

DEPARTMENT	OFFICER	DATE
Department of Premier and Cabinet	Justin Murphy	Various dates in October and November 2010
Queensland Treasury	Walter Ivessa Janelle Thurlby Jeannette Miller	Various dates in November 2010
Department of Education and Training	Richard Eden	15 November 2010
Department of Public Works	Margaret Berenyi James Brown Phillip Hood	Various dates in October and November 2010

LIST OF ATTACHMENTS

- ATTACHMENT 1:** Summary of QAO Audit Recommendations
- ATTACHMENT 2:** Government Response to QAO Audit Report
- ATTACHMENT 3:** Ernst and Young Report of Queensland Health rostering and payroll systems
- ATTACHMENT 4:** Summary of Ernst & Young Report recommendations and Queensland Health response
- ATTACHMENT 5:** Ernst & Young Supplementary Report of Queensland Health rostering and payroll systems
- ATTACHMENT 6:** KPMG Report on Governance of Payroll Foundation Project

**Key findings and recommendations of the Auditor-General Report No. 7 for 2010, 'Information Systems Governance and Control, Including the Queensland Health Implementation of Continuity Project**

On the 29 June 2010 the Auditor-General will release a report on a number of ICT programs, the most significant being the Queensland Health Implementation of Continuity Project (the Queensland Health payroll system audit).

The key findings from the Queensland Health Implementation of Continuity Project related to:

Project governance

The Auditor-General indicates a number of project governance issues that were considered inadequate, including:

- the governance structures of the system implementation as it related to CorpTech, the prime contractor and Queensland Health. These structures were not clear, causing confusion over the roles and responsibilities of the various parties;
- prime contract management, stakeholder engagement, specification of business requirements, management of scope control and cost control and accountability;
- time for data preparation (cleansing) and data migration;
- system and process testing. This testing had not identified a number of significant implementation risks therefore the extent of the potential impact on the effective operation of the system had not been fully understood and quantified;
- system useability testing and validation of the new processes in the business environment. This was not performed and as a result Queensland Health had not determined whether systems, processes, infrastructure were in place for the effective operation of the system;
- risk quantification of criteria used to determine technical cut over (system go-live decision); and
- contingency planning for business cutover (business go-live decision).

The response to the Auditor-General acknowledges that the governance arrangement for this project could have been improved and clarified. However it was noted that the transition from a whole-of-government implementation governance arrangement to a project governance arrangement in June 2009 did provide for a clearer focus for oversight of the project related work programs of IBM, Queensland Health and CorpTech and the associated decisions by the Project Board members.

In addition, CorpTech has reviewed the governance arrangements for the delivery of the Corporate Solutions Program which will see the establishment of revised formats

for program and project boards. In addition all relevant stakeholders will formally sign-off deliverables and contract variations as this will reinforce the understanding of roles, responsibilities and accountabilities.

#### Post Go-Live issues

The Auditor-General identifies a number of serious issues which existed at the time of implementation of the system on 14 March 2010 which have or are in the process of being addressed by Queensland Health and CorpTech. These issues include:

- rostering system performance;
- slow system performance;
- the Queensland Health Shared Service Provider changing some key business processes as part of the Go-Live of the system reducing the ability of Queensland Health regional staff to respond quickly to local pay queries and issues from staff; and
- a backlog of exceptions, new starters, terminations and staff movements to be processed by the Queensland Health Service Provider due to payroll processing issues.

The response to the Auditor-General acknowledges the comments made in relation to the post go-live issues. The Auditor-General's report acknowledges much of the corrective action that Queensland Health has put in place since 14 March 2010 to address issues that arose with the implementation of the system. Queensland Health has put in place the Payroll Stabilisation Project to address business issues with the assistance of KPMG.

#### Complexity of Queensland Health Award Structures

The Auditor-General acknowledged the complexity of the Queensland Health award structures and notes "...there are 13 awards and multiple industrial agreements which provide for over 200 different allowances and in excess of 24,000 different combinations of calculation groups and rules for Queensland Health employees who on average total around 78,000."

#### Audit Report Recommendations

The Report made two specific recommendations relating to the Queensland Health Implementation of Continuity Project:

##### **Recommendation 1**

The current action to stabilise the Queensland Health payroll and rostering systems to be continued to ensure Queensland health employees are correctly paid. Any mismatch between business practices and business rules configured within the system needs to be analysed and appropriate changes made to address defects or to improve accuracy or effectiveness of the payroll output. Technological changes should be performed through strict change management processes and testing regimes to ensure system stability is maintained.

## **Recommendation 2**

Queensland Health should reconsider its current business model to determine the most effective and efficient strategy to deliver payroll services. To mitigate the risk of payroll inaccuracies, simplification of award structures and pay rules need to be considered. A payroll process reengineering should provide for an appropriate blend of local decision making and action, and the efficiencies of centralised processing. System reporting to enable effective performance management for both local and central processing hubs is an essential component of any business process reengineering. It is suggested that a staged approach be used for the implementation of any new business model.

The Report made one specific recommendation in relation to Shared Services:

## **Recommendation 3**

The roles and responsibilities of departmental Accountable Officers involved in the Shared Service Initiative be reviewed so that the ultimate responsibility of departmental Accountable Officers for all expenditure by their departments is reinforced. The agreed responsibilities should be clarified in either the Financial Accountability Act 2009 or in the Financial and Performance Management Standard 2009.

The Report made four recommendations on broader Government ICT governance and security issues:

## **Recommendation 4**

The Queensland government chief Information Officer program and project management methodologies be rigorously applied for the development and implementation of all new information system programs. Some of the critical success factors include:

- Formal documentation of roles, responsibilities, accountabilities and key performance indicators of all relevant parties which should be signed by all key stakeholders. This document needs to be a living document that is periodically reviewed and updated for relevance.
- Formal documentation of the program being divided into tranches (groups of projects that deliver the final outcome). End of tranche review need to be performed to assess the ongoing viability of programs and to assess the effectiveness of program processes in managing risks, issues, benefits, program management activities and lessons learnt.
- Clear definition of project scope and timeline including key stakeholder sign off. The project scope needs to be tightly managed throughout the life of the project.
- Large projects should be divided into stages with each stage clearly planned, controlled and end stage review performed. The end stage reports should provide an input into the planning processes for the next state(s). Some of the examples of the Queensland Health project stages could include: project scope

definition; business requirements definition; system development; user acceptance testing' parallel testing' system useability test and validation of business processes; business process re-definition; Go-Live and post-implementation processes.

- Quality assurance role of the Project Board needs to be clearly documented and implemented. The quality assurance processes need to be implemented at all levels of programs and projects.
- Rigorous budget management processes should be implemented with budgets approved and monitored by the relevant governance boards.

#### **Recommendation 5**

Information technology governance frameworks, practices and processes need to be implemented at a whole of government level so that business outcomes and benefits from IT programs are achieved, measured and reported by individual agencies using a consistent approach. These can then be consolidated at the whole of government level through the recently established ICT governance committees for improved transparency of ICT programs and projects.

#### **Recommendation 6**

For whole of government programs / projects, specific attention needs to be placed on ensuring that end to end governance structures are implemented and ensuring that there is transparency of decisions that are made and the impact of those decisions on government agencies.

#### **Recommendation 7**

Information technology security risk assessment, mitigation strategies and control mechanisms need to be documented and implemented at the agency level and coordinated at the whole of government level through the recently established information security committee.

**Joint Statement of Tuesday, June 29, 2010 by Premier and Minister for the Arts  
and Deputy Premier and Minister for Health**

**Government to implement all seven of the Auditor General's recommendations**

The State Government will implement all seven of the Auditor General's recommendations contained in his report on the Queensland Health payroll implementation.

The Government has also announced that a number of additional measures will be implemented to provide certainty into the future.

Premier Anna Bligh today said the investigation had concluded there were fundamental failures not only within Queensland Health but more broadly.

Ms Bligh said the Government will take decisive action, including:

- *Move to a local health payroll model and re-examine the use of WorkBrain rostering system over the next three months;*
- *Issue a Show Cause Notice to IBM and reserve its right to withhold final payment and seek damages*
- *Overhaul CorpTech and abandon the one-size-fits-all approach to payroll across government departments*

We are taking decisive action following the delivery of the Auditor General's report today.

The Government will act on each of the Auditor General's seven recommendations.

The Auditor General's report is thorough and makes key recommendations but there is a need to go further.

The Government will take a number of additional steps to provide Queensland Health staff with greater certainty going forward, Ms Bligh said.

The Auditor General's report, not surprisingly, has found that there has been a fundamental failure in the process of implementation of the new payroll system.

The Queensland Government takes responsibility for ensuring our employees are treated decently.

I apologise sincerely to every one of those Queensland Health employees and their families who have been affected by the recent payroll problems.



The Auditor General found failures had occurred at a number of levels and made seven key recommendations - two in relation to Queensland Health, one in relation to Shared Services and four recommendations in relation to broader government ICT governance and security.

The Deputy Premier and Minister for Health Paul Lucas said that health staff are currently dealing with a centralised payroll system that is removed from the day to day operations of our hospitals.

What people on the ground, working in our hospitals and their unions have told me is that we need local information and local decision making when it comes to payroll and we have listened to those concerns, Mr Lucas said.

As a result, Queensland Health will phase in a localised health payroll model over the next three months.

This will mean a hire-to-rotate service in each payroll hub and Queensland Health Corporate Services will be restructured to ensure local payroll systems are adequately supported.

This will be undertaken after rigorous testing and in close consultation with staff and their unions.

In addition, the Premier said the experience of the Queensland Health payroll implementation had shown a one-size-fits-all approach to payroll across the Queensland Government should be abandoned and CorpTech overhauled.

Larger agencies with complex payroll requirements should be able to use the payroll system which suits them and smaller agencies should have the ability to cluster with similar agencies and utilise the one payroll system, she said.

We are today doing the responsible thing and that is accept the advice of this independent investigation, resolve to implement each of the recommendations and do the right thing by our hard-working staff.

The Auditor General's report clearly identifies failings on the part of contracted provider, IBM.

We have sought Crown Law advice in relation to options for terminating the payroll contract with IBM and it's only fair that we seek to reserve our legal rights. The Government has issued IBM a Show Cause Notice as to why the contract should not be terminated, said the Premier.

### **Better payroll model**

Queensland Health will re-introduce a localised payroll model that features direct service between payroll hubs and hospital unit managers within their local health service.

The Queensland Government acknowledges that one of the flaws of the payroll system is the loss of strong links between individual payroll hubs and their client local hospital districts. By the end of September 2010, each hospital in Queensland

will be linked to a specified payroll hub. Each payroll hub will be responsible for every aspect of the employment, rostering, and payroll services of each hospital unit in their local district.

This will mean more personal contact between payroll staff and the hospital unit managers they serve. It will also mean that payroll staff will be more familiar with any specific pay-related contract terms and conditions in place in their district. Finally, hospital unit managers will have greater access to the payroll staff processing their roster and pay forms, so they can follow up on any forms that are being processed.

Implementation of the new localised payroll model will begin this week subject to appropriate consultation with unions and will be fully implemented by 30 September 2010. Two new payroll hubs will be created at Mackay and the Gold Coast.

This move is consistent with the local hospital network health reforms agreed by Premier Bligh at COAG. The Government is committed to ensuring that Queensland Health returns corporate services and decision-making to the local hospitals, and this new approach to payroll hubs lays an important stepping stone to local control.

#### **Best software system**

Queensland Health will also re-examine the decision to implement the WorkBrain rostering system in conjunction with SAP.

The health payroll system consists of two applications that are linked. The two applications are the rostering and award interpretation application (WorkBrain) and the payroll application (SAP HR). The two applications should work together efficiently and effectively to deliver staff an accurate pay each fortnight.

Ernst & Young have been engaged by Queensland Health to provide a review of the most commonly deployed payroll and rostering solutions in the national and international healthcare sector.

Over the next 3 months Queensland Health will work with Ernst & Young in consultation with staff and unions to confirm the most suitable roster and award interpreter configuration that delivers staff the payroll outcome they deserve as quickly as possible. This may involve reconfiguring the current application or introducing alternate solutions.

Queensland Health will also discuss with staff and unions whether there are aspects of the Award arrangements which can be simplified in order to reduce the complexity of the payroll system and deliver a better outcome for staff.

#### **Holding IT advisors accountable**

The Queensland Government will today issue to IBM a Notice to Show Cause why its contract should not be terminated for breach of duty of care and breach of contract.

IBM was engaged by the Queensland Government to choose appropriate payroll software for Queensland Health, to act as project manager for the payroll implementation, and to design, develop and implement the technology.

However, the system has experienced numerous problems since commencement. System development has not led to a suitable product being delivered at the time of implementation.

The Queensland Government has already issued notices to remedy breaches to IBM on 12 May.

### **Strengthening QH Corporate Services**

Queensland Health will restructure its Corporate Services division to reduce bureaucracy, localise service provision and to ensure there are clearer lines of responsibility at the executive level.

The restructure will be led by Michael Walsh, who will act in the position of DDG Corporate Services to bed down the restructure and finish the job he has started as head of the Payroll Implementation Stabilisation team. Michael will act in that position for a period of three months.

The new QH Corporate Services will actively identify corporate services (including HR, payroll, finance) that should be delivered within local hospital districts, instead of head office. More and more, Queensland Health will be moving to a localised model of service delivery within local hospital services, in line with the principles outlined in the national health reform agreement.

### **The future of CorpTech and shared services**

The Queensland Government will abandon the one-size-fits all shared services model as the exclusive model for corporate services across the whole of Government.

The whole-of-government IT provider, CorpTech, will be overhauled to better match agency needs this will include an assessment of which agencies are best served by their own technical services.

While the principles behind the shared service model work for some agencies, the Queensland Government recognises there is a place for larger agencies to remain independent in providing corporate services such as payroll and HR.

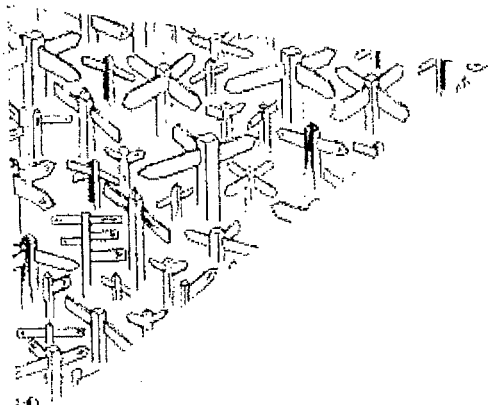
A formal review of the shared services business model will be conducted by PWC Partner Mr Roger McComskie to determine the future of the various shared services and make recommendations about more flexible arrangements that may be utilised by client agencies.

Mr McComskie will commence immediately, will report directly to the Director General of Department of the Premier and Cabinet and will be serviced by a small secretariat in DPC. His final report will be released publicly.

The review will be completed by the end of September 2010.

ATTACHMENT 3

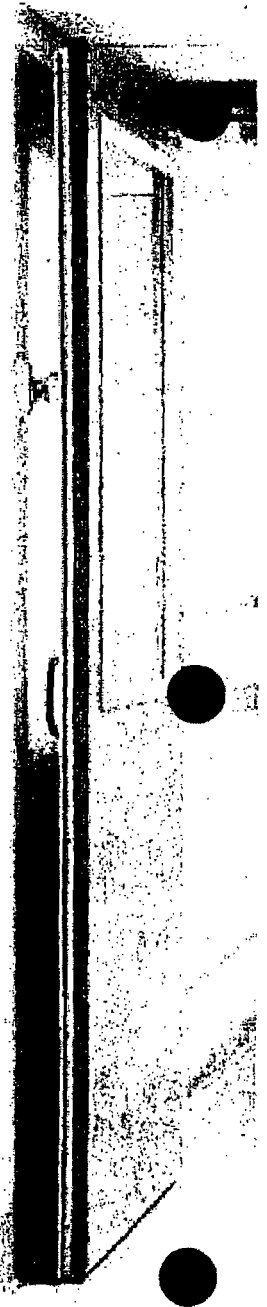
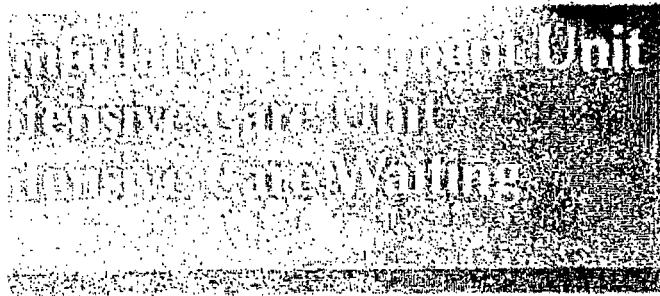
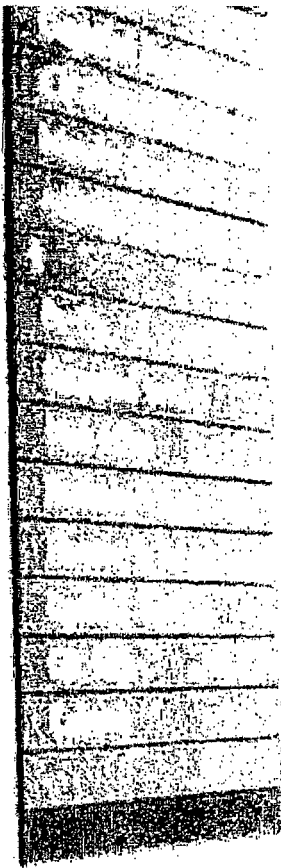
Ernst and Young Report on QH rostering and payroll systems



# Review of payroll and rostering solutions

Queensland Health

September 2010



In March, 2010, Queensland Health went live with a new payroll and rostering solution for all staff in every location across the state.

Queensland Health engaged Ernst & Young in August 2010 to conduct a review of the payroll and rostering systems.



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Our report may be relied upon by Queensland Health for the purpose of the review on its rostering and payroll solution only pursuant to the terms of our engagement letter dated 2 July 2010. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to any other party or the reliance upon our report by any other party.

# 1. Executive summary

In July, 2010, Queensland Health engaged Ernst & Young to conduct a review of its payroll and rostering systems to establish their ongoing suitability for Queensland Health, and to ascertain what potential options are available to resolve the recently experienced payroll problems.

Ernst & Young did not undertake a review of the root causes of the problems being experienced. However, the review was undertaken cognisant of the origins of these problems. To inform our findings, we undertook:

- ▶ Extensive consultation and engagement with a broad range of Queensland Health staff stakeholder groups and all 13 Queensland Health unions to gain a comprehensive understanding of the issues and their origins. Specifically, Ernst & Young listened, observed and spoke with staff in 8 payroll processing locations across regional and remote Queensland during the duration of the review
- ▶ A vendor analysis to understand systems solution options, their suitability for Queensland Health's ongoing and future requirements, the commercial conditions necessary for a successful implementation and maintenance of an ongoing business relationship
- ▶ A peer review of other health care organisations, locally and internationally, to understand the approach and systems utilised elsewhere

Our extensive consultations with staff identified ongoing people, process and technology issues with the current solution. These issues are currently managed through the Payroll Improvement Program "PIP", however, their complexity means this approach is not sustainable in the long term without ongoing and significant additional resource investment. Further, we consider that the solution in its current state is not able to effectively respond to the National Health Reform Agenda, the introduction of Local Health and Hospitals Network<sup>2</sup> and the need for integrated workforce information.

Our vendor analysis across the payroll and rostering software market found that:

1. SAP can provide an appropriate payroll solution for Queensland Health. This is because SAP has a:
  - ▶ Large local, national and global skill base that exists to support the SAP Payroll solution
  - ▶ Mature presence in both the national and global healthcare industry
  - ▶ Significant local, national and global implementations that exist for the SAP Payroll solution in related industries
  - ▶ Demonstrated commitment to ongoing investment in its healthcare solution

SAP is also currently being used by Queensland Health for its Finance solution, minimising potential integration impacts.

<sup>2</sup> The Council of Australian Governments (excluding Western Australia) recently announced major reform to how health and hospital services will be managed into the future. These reforms will be delivered through the National Health and Hospitals Network, with each State working closely with their Commonwealth counterparts to understand the specific impacts of the reforms.



2. There is no clear market leader of rostering products used in the Australian or international health care sector. Rather, there are several "like" products currently being used. Further, there is no dominant payroll and rostering solution which is specifically designed to work together for the health care sector, although some product owners certify their products operate successfully together
3. Whilst recognising and understanding the current issues in the existing rostering system, Workbrain, the analysis indicates that these problems should be able to be fixed and the solution improved to adequately meet the needs of Queensland Health's rostering requirements
4. The replacement of the Workbrain system component of the solution with an alternative software product would place additional burden on staff and require significant effort and investment from Queensland Health. For example, this effort would include additional reconfiguring, testing and staff training over and above fixing the Workbrain solution. This would result in additional burden to staff on top of their daily duties, potential further delay in resolving award interpretation for staff and risking a continued loss of confidence in Queensland Health's ability to resolve the situation

Central to the findings of this report is the need for comprehensive support for any subsequent project activities conducted by Queensland Health. This support will be required in the form of change management, training planning and execution to support staff and minimise negative impacts, create consistent and broadly disseminated communication, and effective, targeted training and education. This would include refresher training for all staff participating in the implementation of payroll and rostering processes.

A peer review highlighted the unique characteristics of Queensland Health's rostering and payroll structure when compared to others - Full Time Equivalent (FTE) size, large geographic distribution and importantly, the complexity of its industrial awards. The peer review also identified key "success themes" in implementations of similar solutions with the major success theme being, many of the health care sector solutions have been developed to operate on a "local" level technology platform of around 5,000 - 15,000 staff (e.g. at the District or Hospital level).

From the findings of the staff consultation, vendor analysis and peer review, we generated a list of options available to Queensland Health to rectify current payroll errors:

- ▶ Option 1 - Stabilise the existing solution environment (i.e. invest in the current solution through the fixing of existing system issues)
- ▶ Option 2 - Stabilise and optimise the existing solution environment (i.e. undertake an "optimise" project of the current systems to resolve all current issues and improve usability at the local level)
- ▶ Option 3 - Replace the existing rostering system whilst retaining the current payroll system
- ▶ Option 4 - Replace all existing rostering and payroll systems
- ▶ Option 5 - Outsource the payroll function to an external organisation
- ▶ Option 6 - Do nothing (i.e. no further investment in the current systems)

These options have been analysed and evaluated for the risk they presented to Queensland Health in terms of:

- ▶ Successful delivery of effective payroll and rostering services to support Queensland Health staff
- ▶ Overall impact on payroll, administrative and IT support staff
- ▶ Ability to support changes in the health care sector, both State and Federal
- ▶ Commercial risks inherent in the software vendor commercials and contracts

Based on the options assessment above (informed by the findings from our consultation and engagement with Queensland Health staff and unions, vendor analysis and peer review) the most effective and efficient, lowest risk option for delivering solution outcomes in relation to removing staff "pain" and better supporting the payroll process is:

### **Option 2 - Stabilise and optimise the existing solution environment**

The key components of the most effective and efficient, lowest risk option include:

1. The re-implementation of the Queensland Health solution should be conducted as a new program with a defined and agreed vision (that also considers the Finance solution vision), in parallel to ongoing activities of PIP. This program was established to stabilise the current systems and implement fixes that can provide some immediate relief to payroll operators and recipients. It should be noted that this new program will need up to 3 years to achieve the ultimate vision and be fully rolled out to all Queensland Health districts/divisions, however during this time there will be ongoing issues prioritisation and fixes
2. The re-implementation of the rostering system, Workbrain, with realigned functionality and comprehensive improvements to the underlying supporting technology platform
3. Once the majority of current stabilisation activities have been achieved, Queensland Health should also look to transition PIP resources into the optimisation project to allow for continuity of existing knowledge and skills
4. In response to the issues encountered with the centralised rostering and payroll business model, Queensland Health is implementing a new payroll operating model and is currently piloting this model in two sites, with the objective of providing improved services at the district/hospital/divisional level. Therefore, any activities to address current issues should be fully scoped and conducted in line with the objectives of this new business payroll operating model
5. Urgent confirmation is required that:
  - a. Detailed analysis to confirm that current system issues can be resolved by the vendor in a timely manner
  - b. Appropriate commercial and service level agreements and suitable contracts can be negotiated with the system vendors, including access to locally skilled resources

Note: If the outcome of these urgent confirmation activities drastically affects the feasibility and increases the risk profile, Queensland Health should adopt Option 3

- Replace the existing rostering system (whilst retaining the current payroll system).

The **recommendations** that Ernst & Young make that need to be followed for the successful implementation of the most effective and efficient, lowest risk option include:

1. Immediately initiate the Queensland Health optimise project to confirm the implementation roadmap and plan including the following key activities:
  - a. Commence development of a detailed "Program Management Plan"
  - b. Establish a robust governance model in alignment with the Queensland Audit Office recommendations.
  - c. Incorporate and clearly identify the consideration of lessons learnt from the current solution, both from the past and in the present, and embed into relevant activities in the roadmap
  - d. Review and implement robust commercial arrangements for system development and support
  - e. Mobilise the project team for the Optimise Project Initiation Phase, which needs to minimise impact on current stabilisation activities and resources (including skilled Workbrain and SAP resources)
  - f. Conduct business requirement collection and confirmation, together with a detailed "fit" gap analysis (this includes formal documentation and progressive sign offs)
  - g. Prioritise investment activities between the Optimise Project Initiation Phase and other related projects to maximise Queensland Health's Return On Investment (ROI)
2. In line with the new payroll operating model, design the new solution at the "local", or decentralised, level, in particular taking rostering back to the local/district/divisional level to:
  - a. Address the issues that have been experienced through the centralised model, i.e. the loss of localised processing knowledge in relation to local working conditions and challenges
  - b. Allow Queensland Health to support their own eHealth agenda and respond to changes in the Health sector, Federally (as in the case of National Health Reform), and at a State level (in terms of legislative change and industrial changes)
3. Ernst & Young recognises that substantial work to address current payroll issues (through PIP) has already occurred to date. Queensland Health should continue this work alongside a formalised issue prioritisation strategy
4. Establish a global Workbrain healthcare working group to share and leverage existing improvements in the solution

Ernst & Young would like to extend its sincere appreciation and thanks to the following stakeholders and organisations, for their time, information and support throughout the review process (listed alphabetically):

- ▶ Other professional service organisations
- ▶ Peer healthcare sector agencies
- ▶ Queensland Health clinical staff
- ▶ Queensland Health non-clinical staff
- ▶ Queensland Health payroll and administrative staff
- ▶ Queensland Health union representatives and their members
- ▶ Software vendors

## 2. Introduction and scope

Queensland Health employs approximately 78,000 employees in 200 locations across Queensland. In 2007, a decision was made to adopt SAP HR/Payroll and Workbrain ("the solution") to support Queensland Health's payroll and rostering functions respectively. As shown in *Figure 1* below, the solution was intended to be an interim one and would be delivered under a centralised rostering and payroll model with no improvement of existing business processes. Any enhanced system functionality, such as the ability for employees to book their own leave through Employee Self Serve ("ESS"), was to be built at a later date.

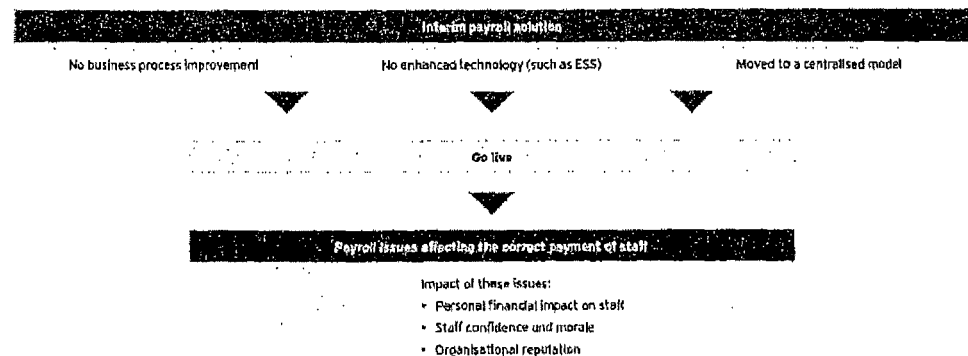


Figure 1: Current situation

On 8 March, 2010, the solution went live. Since then Queensland Health has experienced significant payroll errors resulting in staff being overpaid, underpaid, or not paid at all. In June, 2010, the Auditor-General of Queensland conducted a review of the Queensland Health information systems governance and control in relation to the Continuity Project. The findings of this review were published in a report titled "Report to Parliament No. 7 for 2010 information systems governance and control, including the Queensland Health Implementation of Continuity Project" (the Auditor-General Report).

The Auditor-General Report identified a number of factors with the implementation of the new payroll and rostering solution which have contributed to the payroll issues being experienced by Queensland Health. In response to the financial distress this caused many employees, Queensland Health undertook immediate action to stabilise the payroll and rostering solution and to make payments to those staff who were underpaid, or not paid at all. This was achieved through the establishment of the Payroll Stabilisation Project ("PSP"), which has now evolved into PIP. Both of these are operationally focused to pay staff correctly as soon as possible.

### 2.1 Scope and approach

In parallel to the above, a joint statement<sup>2</sup> was released on Tuesday June 29, 2010 from the Premier and Minister for the Arts, The Honourable Anna Bligh and the Deputy Premier and Minister for Health, The Honourable Paul Lucas which stated that Ernst & Young had been engaged by Queensland Health to provide a review of the most commonly deployed payroll and rostering solutions in the national and international healthcare sector. This statement formed Ernst & Young's Terms of Reference for this engagement.

<sup>2</sup> Joint Statement: Premier and Minister for the Arts The Honourable Anna Bligh and the Deputy Premier and Minister for Health The Honourable Paul Lucas Tuesday, June 29, 2010

The joint statement further outlined the intention for Queensland Health to work with Ernst & Young in consultation with staff and unions to confirm the most suitable roster and award interpreter configuration that delivers staff the payroll outcome they deserve as quickly as possible. This may involve reconfiguring the current systems or introducing alternatives, however it should be noted this review was not intended to be a system procurement exercise. Accordingly, whilst this review has considered the origin of the current issues in making this assessment of ongoing system options, it is not a review of the root causes of the original project problems.

Ernst & Young's approach to this engagement was to assess the options available for stabilising and optimising the current environment, and determining which of these delivers the most effective and efficient, lowest risk outcome in relation to removing staff "pain" and better supporting the payroll process.

This approach has been provided in *Figure 2* below:

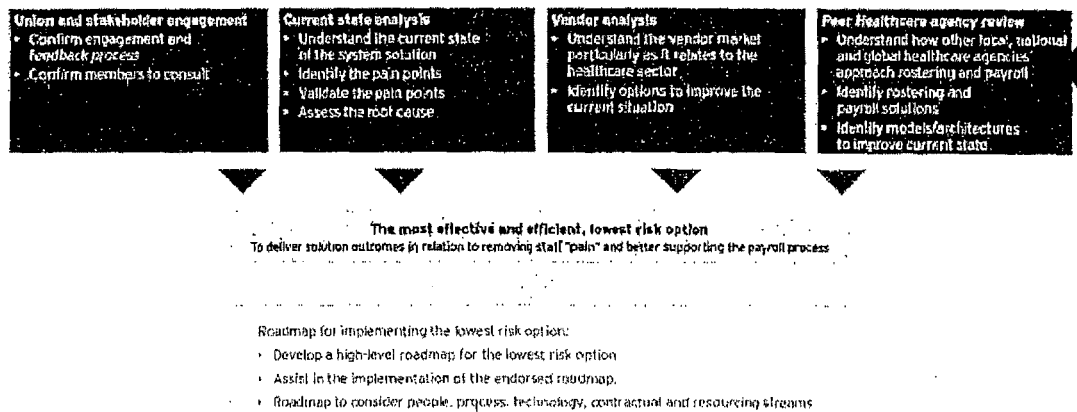


Figure 2: Ernst & Young approach to the review

The information outlined in Figure 2 and comprehensive consultation with unions and their members assisted with the analysis of the solution options.

### 2.1.1 Out of scope items

The following were out of scope for this review:

- ▶ Vendor analysis of specific Queensland Health business requirements against software functionality
- ▶ The configuration and customisation of the current systems
- ▶ The SAP finance system – however this has been taken into consideration as part of our solution options assessment in relation to impacts on integration
- ▶ Costing studies or exercises for the implementation of the new rostering and payroll solution for Queensland Health
- ▶ A system procurement process

### 2.1.2 Assumptions

The information, findings and recommendations contained in this review are based on the following assumptions:

- ▶ The recommendations will be implemented as a matter of priority
- ▶ Business requirements for the current known system issues will be confirmed, and signed off in the next 6 months
- ▶ A 'solution' in this report implies people, process and technology "connectivity" or integration, as each are interdependent for the successful delivery of any technology enabled business transformation project

### 3. Current state assessment

This section provides a summary of the key "pain points"<sup>3</sup> gathered through an extensive stakeholder consultation and engagement process (including discussions with unions, clinical, non-clinical and administrative and payroll and technical support staff).

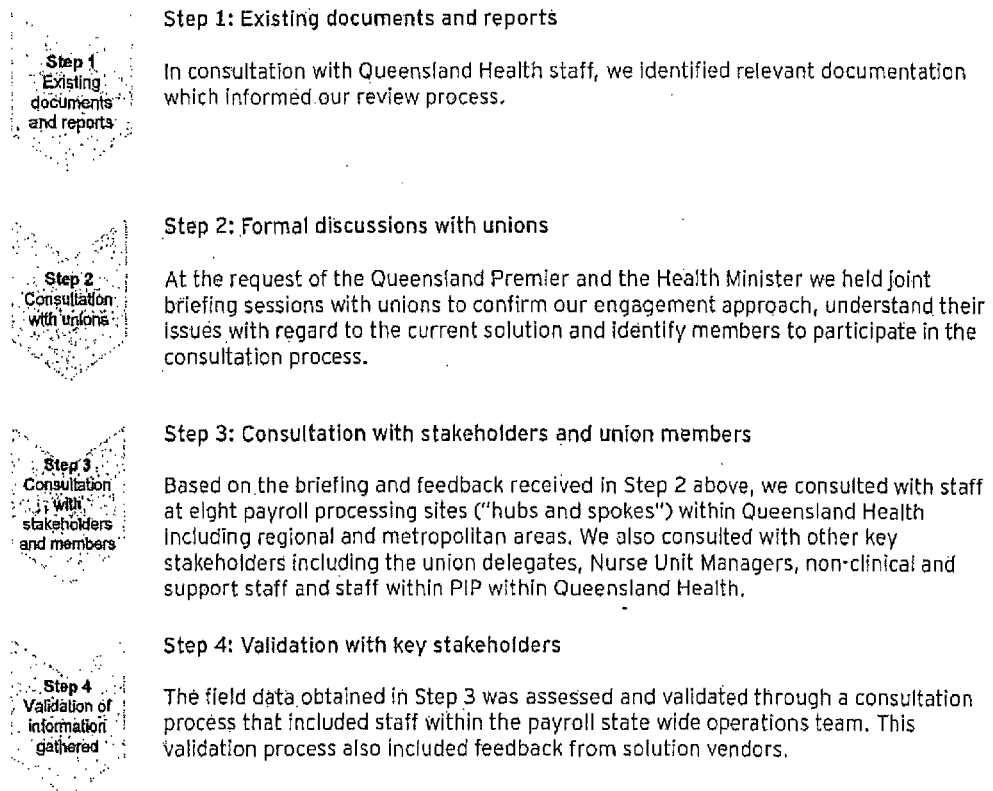
Although the focus of the review was to assess the system options available for stabilising and optimising the current environment, it is important to understand both the people and the business processes that the systems are supporting. Therefore, to identify all relevant issues, feedback was sought and captured from the people, process and technology perspectives.

The information below is summarised and presented for a broader stakeholder audience. Ernst & Young's approach to this process followed a rigorous methodology to gain a comprehensive understanding of the current state.

#### 3.1 Approach

Our approach to understanding the current Queensland Health solution is represented in *Table 1* below:

Table 1: Approach to current state



<sup>3</sup> A pain point in the context of this review has been defined as anything that restricts the effective completion of an activity, both inside and outside the technology.



### 3.2 Extensive Queensland Health staff and stakeholder consultation and engagement

The Ernst & Young review team consulted and engaged broadly across stakeholder groups and geographic locations to gain a comprehensive understanding of the issues and their origins. This was intended to assist the review team in identifying people, process and technology issues. This consultation and engagement was a critical step in this review to provide Queensland Health staff and stakeholders with the opportunity to contribute to the future rostering and payroll solution. The process for consultation and engagement of staff was developed and agreed with Queensland Health and the 13 Queensland Health unions.

Specifically, Ernst & Young listened, observed and spoke with 8 payroll processing locations across regional and remote Queensland for a day. These locations have been provided and identified in the map of Queensland below:

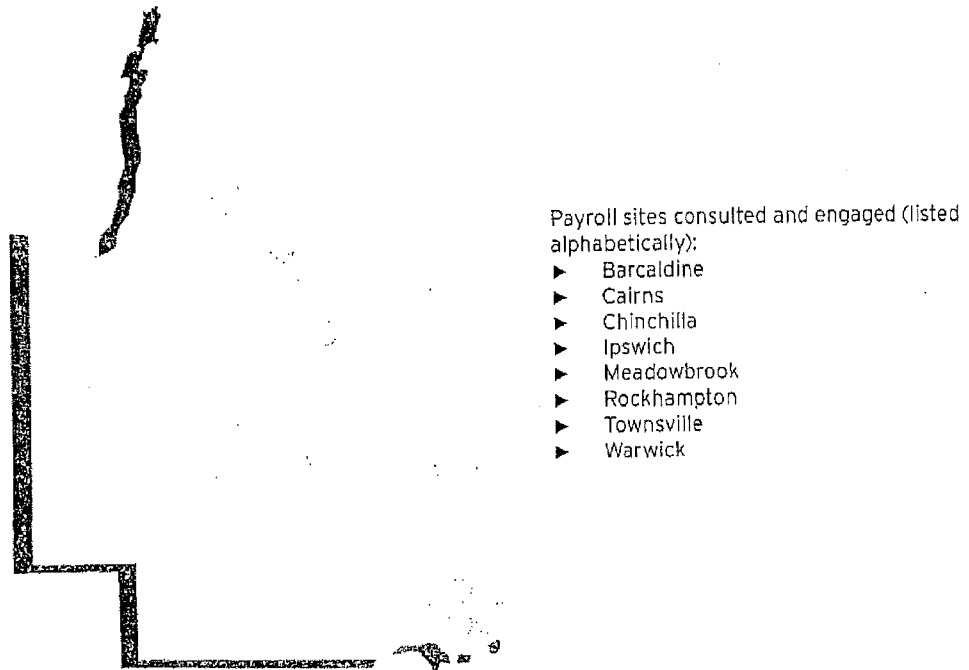


Figure 3: Areas Consulted and Engaged

### 3.3 Current landscape and pain point summary

Presented in Table 2 below is the range of pain points communicated to the review team from the stakeholders interviewed.

The yellow columns indicate the number of pain points found in the labelled category and the grey columns indicate how many times the pain points in the labelled category were raised.

Table 2: Pain point summary

<p>A bar chart with a y-axis from 0 to 40. The x-axis has three categories: Communication, Support, and Training. For each category, there are two bars: a solid black bar representing 'Number of Issues raised by staff' and a dotted black bar representing 'Number of Times Issues were raised by staff'. The values are approximately: Communication (Issues: 15, Times: 15), Support (Issues: 25, Times: 25), Training (Issues: 20, Times: 20).</p>	<p><b>People</b></p> <ul style="list-style-type: none"> <li>▶ Lack of training in both SAP and Workbrain, including an understanding of how information flows between both systems</li> <li>▶ Clarity of communication of solution fixes from Queensland Health to end users are not timely and inconsistent</li> <li>▶ Staff morale has been negatively impacted and staff have reported a loss of pride in their work</li> <li>▶ Staff receiving incorrect payments are reporting financial distress and frustration</li> </ul>
<p>A bar chart with a y-axis from 0 to 30. The x-axis has three categories: Business Process Accuracy, Business Process Compliance, and Form Submission Through Fax Server. For each category, there are two bars: a solid black bar representing 'Number of Issues raised by staff' and a dotted black bar representing 'Number of Times Issues were raised by staff'. The values are approximately: Business Process Accuracy (Issues: 15, Times: 15), Business Process Compliance (Issues: 25, Times: 25), Form Submission Through Fax Server (Issues: 15, Times: 15).</p>	<p><b>Process</b></p> <ul style="list-style-type: none"> <li>▶ Centralised rostering and payroll business model has led to loss of localised processing knowledge, for example in relation to local working conditions and challenges</li> <li>▶ Paper-driven business processes do not adequately allow for efficient data processing (such as rosters being developed on paper or Microsoft Excel and then entered manually into Workbrain, resulting in the double handling of rosters)</li> <li>▶ The current technology (fax server) used to accept rosters, shift changes and overtime etc has proven to be an inefficient way of managing payroll items. The fax server also crashes periodically.</li> </ul>
<p>A bar chart with a y-axis from 0 to 120. The x-axis has two categories: Technology accuracy, performance and stability, and System functionality and features. For each category, there are two bars: a solid black bar representing 'Number of Issues raised by staff' and a dotted black bar representing 'Number of Times Issues were raised by staff'. The values are approximately: Technology accuracy, performance and stability (Issues: 100, Times: 100), System functionality and features (Issues: 60, Times: 60).</p>	<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>▶ The centralised rostering and payroll technology platform of the Workbrain system is significantly impacting on performance of the solution</li> <li>▶ Processing of leave is a long and tedious process</li> <li>▶ Unacceptable system performance is causing crashes and reduces accessibility, particularly prior to a pay cut off</li> <li>▶ Flow of information between systems does not allow for efficient processing for items such as staff termination and leave processing</li> <li>▶ Workbrain does not currently support concurrent employees (i.e. staff with more than one role in Queensland Health)</li> </ul>

These pain points have been recognised by Queensland Health and the known system issues logged for resolution. It should be noted some pain points will require a re-development of the current system or changes to the underlying technology platform for their effective resolution. For those pain points that can be addressed in the shorter term, it is considered critical that the ongoing PIP continues.

**Recommendation:** Ernst & Young recognises that substantial work to address current payroll issues (through PIP) has already occurred to date. Queensland Health should continue this work alongside with a formalised issue prioritisation strategy

Section 3.3.1 below provides details of a scenario designed to illustrate some of the key issues above in a practical sense.

### 3.3.1 Pain point scenario

Figure 4 below provides a scenario (rostering concurrent employees) to clearly demonstrate the real impact on staff and what the review recommendations will look to solve.

The red dots indicate areas in the process where pain points are being experienced and have been labelled by letter and described to the right of the illustration.

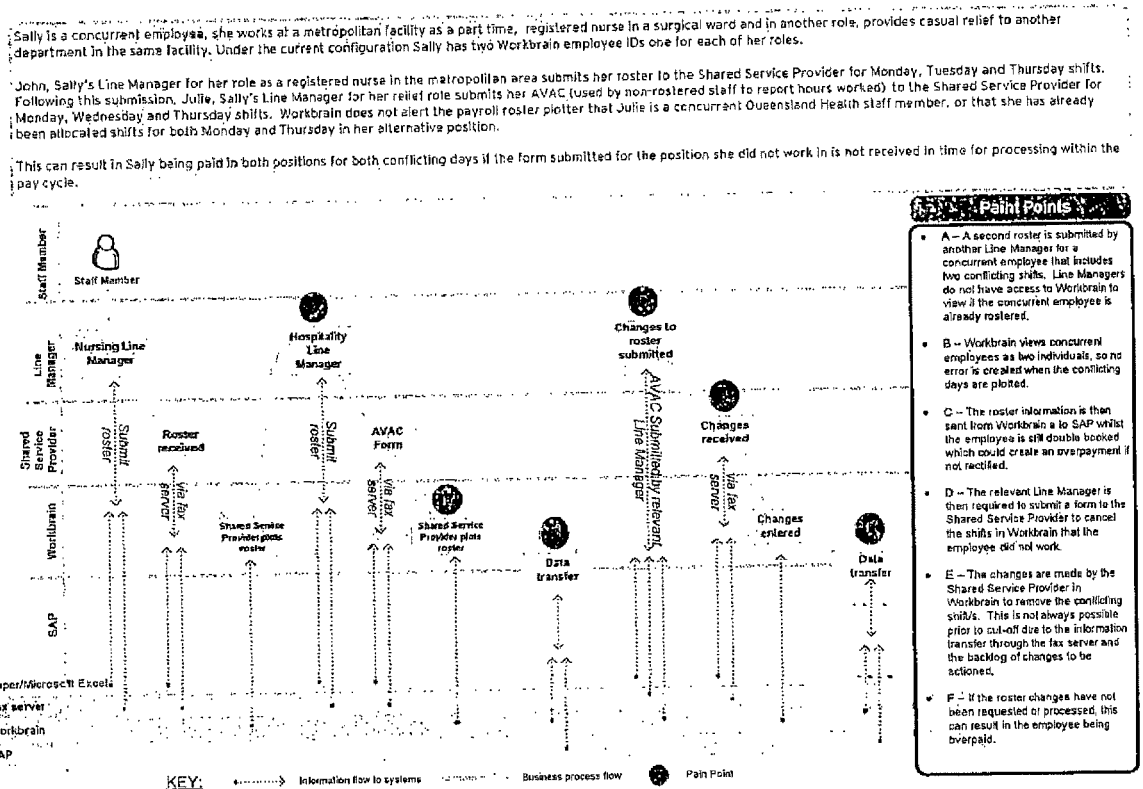


Figure 4: Pain point scenario

### 3.4 Conclusion

Based on the information provided above, the following "current state" themes clearly emerge:

- ▶ A large number of the pain points identified are training, communication and change management based. In particular, the lack of training has in some cases resulted in the misuse of Workbrain and SAP
- ▶ The technical issues within the solution fall into the following categories:
  - i Centralised rostering and payroll technology platform
  - ii Management of concurrent employees
  - iii Leave management
  - iv System performance
  - v Flow of information between Workbrain and SAP (interfaces)
- ▶ There is a preference amongst Queensland Health payroll staff for the system to be retained if the technical challenges can be resolved
- ▶ The pain points identified are consistent across the 8 payroll sites that were consulted and engaged
- ▶ If the key recommendations of this report are not commenced, and clear progress communicated to all stakeholders, Queensland Health will continue to see staff stress and workplace impacts.
- ▶ Finding a solution that comprehensively supports Queensland Health's size and complexity, such as award structures and working conditions, is difficult. The Program to resolve current issues will require a significant undertaking by Queensland Health which will need to be managed via two projects: stabilisation and optimisation (note: this will form part of the roadmap which has been provided in a later section of this report)
- ▶ The solution in its current state may not be able to effectively respond to the National Health Reform Agenda and the introduction of National Health and Hospitals Network. Although Information and Communications Technology (ICT) considerations are unclear, it is important to understand the potential implications for the current solution, such as the localised management and autonomy of solutions, which could include rostering and payroll

**Recommendation:** The design of the new solution be flexible and robust to allow Queensland Health to respond to changes in the in the Health sector, both federally, as in the case of National Health Reform , and at a State level in terms of legislative change and industrial changes

**Recommendation:** Incorporate and clearly identify the consideration of lessons learnt from the current solution, both from the past and in the present, and embed into relevant activities in the roadmap

## 4. Vendor analysis

### 4.1 Approach

In parallel with the current state assessment, the Ernst & Young review team commenced an analysis of key vendors for both the payroll and rostering systems components respectively. Vendors were either identified as part of Ernst & Young's market research or through the vendors making direct contact with the Queensland Government or ourselves.

As an outcome from the Current State Assessment above, it was identified that the majority of the current system issues being experienced by Queensland Health were a result of the configuration of the current setup of the time and attendance and rostering solution.

In relation to payroll, literature reviews conducted by Ernst & Young for Queensland Health, and discussions with the payroll vendor SAP indicated a:

- ▶ Large local, national and global skill base exists to support the SAP Payroll solution
- ▶ Mature presence in both the national and global healthcare industry
- ▶ Significant local, national and global implementations exist for the SAP Payroll solution in related industries
- ▶ Demonstrated commitment to ongoing investment in its healthcare solution

Given these strengths and the fact that SAP is currently used by Queensland Health for its finance solution (minimising potential integration impacts), the review team concluded that, on the assumption that the recommendations of this report are implemented by Queensland Health, SAP can provide an appropriate payroll solution for Queensland Health. This meant that a significant focus of the vendor analysis was on the rostering solution market (however the vendor analysis did review alternate payroll systems).

Whilst the above provides a level of comfort to Ernst & Young, Queensland Health's requirements are complex. Therefore one of the key recommendations is to define clear checkpoints to marry the system's functionality versus the documented and signed off business requirements.

It should be noted that whilst an understanding of the current systems was being gathered, Ernst & Young was contacted by other payroll system providers who were also interviewed to allow a better end to end solution understanding.

Our approach to the rostering vendor analysis is outlined below:

#### Step 1: Identify and conduct interviews with vendors

Ernst & Young undertook a national and global literature review of rostering products with a proven track record in the healthcare industry. This review identified that there was no single dominant rostering system within the healthcare industry, however, the following major vendors were identified with strong healthcare experience:

- ▶ Infor (owner of the Workbrain system)
- ▶ Kronos
- ▶ Integrated Workforce Solutions (IWS)

- ▶ Allocate
- ▶ AMS
- ▶ RosterOn
- ▶ Microster

These rostering vendors were then interviewed to obtain a high level overview of the rostering solutions. For completeness, our interview process included vendors who made unsolicited contact, as well as those we identified and approached directly.

#### Step 2: Analyse discussions and documentation

The objective of Step 2 was to analyse the documentation gathered against the known high level Queensland Health system requirements and current pain points. This review included assessing product overviews and corporate profiles as well as considering the outputs of interviews conducted by the Ernst & Young review team.

#### Step 3: Shortlist vendors

Those vendors that had adequate healthcare experience were then shortlisted via a two stage process:

- ▶ Stage 1: Assessment against key criteria to determine suitability for Queensland Health
- ▶ Stage 2: Corporate assessment to determine ongoing investment of the product in the healthcare sector

As part of Stage 1 of Step 3 we identified the following three mandatory criteria for our first round shortlisting process:

- ▶ National and local presence and resources for support in Brisbane
- ▶ Credentials of Queensland healthcare sector clients, and therefore a knowledge of the Queensland award structures
- ▶ Proven Australian healthcare sector experience

The rostering solution vendors that did not satisfy these mandatory criteria were not shortlisted in this first round. In the instance where two or more vendors satisfied the above mandatory criteria, the following "highly desirable" criteria were used as a key differentiator:

- ▶ Demonstrated global presence and experience in the healthcare industry
- ▶ Experience in other industries in Australia that have implemented our target vendor solutions
- ▶ The number of resources and support the vendors have to offer nationally and the locations they are based
- ▶ GITC 5 accredited (Government Information Technology Contracting Framework, version 5). This is administered by GITC Services which works closely with both Government agencies and the ICT industry to simplify the purchasing process. The

GITC terms and conditions are designed to remove uncertainties and inconsistencies in contractual procurement arrangements

Following the assessment against the key criteria (Stage 1) we conducted a corporate assessment (Stage 2). The purpose of this review was to focus on their corporate background in terms of their:

- ▶ Key offerings
- ▶ Their target markets and industries
- ▶ Customers and business partners that they engage with
- ▶ Growth strategy
- ▶ Financials
- ▶ Level of experience and credentials in the healthcare industry
- ▶ Commitment to the Australian market

In summary this review was to establish their suitability as a business partner for Queensland Health.

#### Step 4: Conduct healthcare client interviews

In parallel to the company information review, we asked those shortlisted vendors that had adequate healthcare sector experience to provide client contact points (the outcome of these interviews are provided in the peer analysis section). The purpose of these interviews was to understand:

- ▶ The relationship, responsiveness and support of the respective vendor
- ▶ The complexity and organisation size in comparison with Queensland Health
- ▶ The rostering functions
- ▶ The effectiveness of the solution

## 4.2 Conclusion

Based on the assessment and process outlined above, the following rostering vendors were shortlisted for consideration as options for Queensland Health. These vendors demonstrated that they met all the mandatory criteria and whose client references provided feedback that the systems were able to meet their respective business requirements.

- ▶ Kronos
- ▶ Workbrain

**Note:** Should Workbrain be unable to address the current critical system issues or negotiate a suitable commercial arrangement with Queensland Health, Queensland Health should further investigate a suitable replacement using the outcome of the vendor analysis as a starting point

### 4.3 Key themes

Key themes that emerged from the vendor analysis include:

- ▶ Rostering challenges in Australia appear to be based around access to skilled resources
- ▶ The rostering solution market has no clear leader
- ▶ The leading rostering solutions are developed offshore, increasing the challenge to meet regulatory and operational requirements in Australia
- ▶ No dominant payroll and rostering solution which is specifically designed to work together for the healthcare sector, although some product owners certify their products' operating compatibility



## 5. Peer analysis overview

This section provides a summary of information and feedback from discussions held with peer healthcare agencies in Australia and around the globe. A primary objective of these discussions was to identify any similar organisations around the world with a payroll and rostering solution similar in size and scale to that of Queensland Health. It was also to understand key success factors and lessons learnt in implementing their systems. The review team also wanted to understand how other healthcare agencies approach rostering and payroll functions and if any of these approaches could be leveraged for developing an improved future state for Queensland Health.

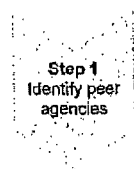
Ernst & Young also held discussions with two other organisations outside the healthcare sector that use similar systems to Queensland Health.

The healthcare agencies and other organisations that Ernst & Young held discussions with cannot be named for commercial-in-confidence reasons. However, the organisations consulted included major Australian healthcare agencies, overseas major healthcare agencies as well as a retail organisation and a service delivery organisation with similar complexity to Queensland Health.

### 5.1 Approach

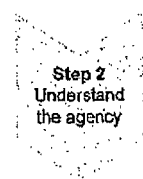
The approach taken to identify, interview and analyse the information gathered from agencies and other organisations is outlined below in *Table 3*.

Table 3: Approach to peer analysis



#### Step 1: Identify peer agencies

Ernst & Young utilised its existing client base and its discussions with vendors to identify peer healthcare agencies and other organisations within Australia and globally that had similarities to Queensland Health.



#### Step 2: Understand the agency

We developed a standard set of questions to:

- ▶ Understand the organisation and its complexity compared to Queensland Health
- ▶ Gather information about its approach to rostering and payroll functions
- ▶ Identify the current solutions in place and how effectively they are supporting the organisation



#### Step 3: Validate information

We collated and documented the information from Step 2 and where required, asked each organisation to validate this documentation.

**Step 4**  
Analyse and  
Identify key  
differences

#### Step 4: Analyse and identify key differences

Following the validation process, the information was analysed to identify any key differences in approaches and whether these could be leveraged for future optimisation activities.

## 5.2 Summary of peer analysis

Queensland Health's centralisation of its rostering and payroll function for 78,000 staff and underlying technology platform, based on the range of healthcare agencies we have consulted with, is rare in the world in terms of size and scale. Many of the healthcare industry solutions have been developed to operate on a "local" level system solution on an underlying technology platform for 5,000 - 15,000 staff (e.g. at the District or Hospital level).

Other clear themes that emerged from our peer healthcare agency review:

- ▶ Annual leave is typically managed by the payroll system effectively reducing the need to exchange information between solutions, which can affect system performance and availability (within Queensland Health, annual leave accumulation resides in the rostering system)
- ▶ Similar to the current configuration in Queensland Health, award interpretation predominately occurs in the rostering solution to allow for real time interpretation of awards (such as allowances) against hours worked
- ▶ Most healthcare agencies manage rostering at a district or hospital level and use Employee Self Service (ESS) functionality (this means that employees can carry out activities such as managing and requesting their own leave and reviewing their rostering details). ESS ultimately reduces the administration effort and number of paper driven transactions
- ▶ Most healthcare agencies utilise Manage Self Service (MSS) functionality (whereby line managers can plot and publish their own unit's rosters), reducing administration effort and the double handling of rosters
- ▶ Other healthcare agencies in Australia and globally have seen benefit from biometric devices such as swipe cards and finger print scanners. Such devices electronically track exceptions in rosters such as staff sick days or overtime, as opposed to manually submitting a form for processing

The key themes above suggest that Queensland Health has opportunities and areas to further improve and enhance its payroll and rostering solutions. Some of these themes could be leveraged and applied in the current system to provide improvements to Queensland Health. It is recommended, therefore, that Queensland Health establish relationships with peer healthcare organisations to maximise this opportunity. It should be noted that some of these opportunities, such as the use of biometrics, would require significant change both technically and organisationally.

**Recommendation:** Design the new solution at the "local", or decentralised, level, in particular taking rostering back to the local/district/divisional level

**Recommendation:** Establish a global Workbrain healthcare working group to share and leverage existing improvements in the solution

## 6. Solution options assessment

This section uses the information gathered in the previous sections to inform the assessment of the solution options ("options") available to Queensland Health to effectively reduce the risk of ongoing impacts on the current solution.

Therefore, each of the options identified below has been assessed against their ability to stabilise, improve and enhance the current Queensland Health rostering and payroll environment to support the complete, accurate and prompt payment of staff.

The definition of a "solution" in the context of this report refers to people, process and technology challenges as each are interdependent for the successful delivery of any technology enabled business transformation project.

Merely focusing on 'fixing' the systems, and not improving people aspects (e.g. change management and training) and business process aspects (e.g. reliance on paper based processes) may stabilise the IT environment, however it will not drastically improve information quality nor a robust and flexible environment to respond effectively to changing requirements. This would include responding to the requirements of the National Health Reform, and in particular, the National Health and Hospitals Network (NHHN).



Provided below is our approach to assessing available options.

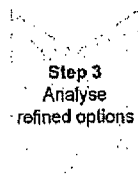
### 6.1 Approach to options assessment

The objective of the options assessment is the identification of the most effective and efficient, lowest risk option for Queensland Health as opposed to an assessment made purely on the basis of cost or functional benefit. Ernst & Young has taken a rigorous methodological approach to identifying these options and consulted broadly with stakeholders to gain a better understanding of the implications of future change.

A summary of our approach is outlined in *Table 4* below:

Table 4: Approach to solution options assessment

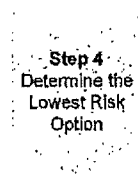
	<b>Step 1: Identify options</b> Identification of possible options is based on: <ul style="list-style-type: none"><li>▶ Analysis of current state information and engagement with key stakeholders on their issues with the current solution</li><li>▶ Analysis of the current rostering and payroll market</li><li>▶ Workshops with key stakeholders to discuss available options and their potential configurations</li></ul>
	<b>Step 2: Assess options</b> The resulting list of options has been assessed against risk principles that consider the organisation, its people and processes and the available technologies.  Options which scored a high risk against the risk assessment principles have been automatically excluded from additional consideration.



### Step 3: Analyse refined options

Options which scored a moderate or low risk against the assessment principles were shortlisted and further assessed against:

- ▶ Option capability assessment: analyse if the option is capable of addressing the key issues identified by Ernst & Young during site visits, stakeholder engagements and the payroll state wide operations team (this team is responsible for addressing issues escalated from Queensland Health payroll processing hubs)
- ▶ Option risk and impact assessment: analyse the strengths, weaknesses, people impacts, process impacts and implementation risks



### Step 4: Determine the most effective and efficient, lowest risk option

The outcome of Step 3: Analyse refined options is to provide the most effective and efficient, lowest risk option for Queensland Health for delivering solution outcomes in terms of removing staff "pain" and better supporting the payroll process.

## 6.2 Step 1: Identify options

The options available for Queensland Health include:

**Option 1 - Stabilise the existing solution environment**  
(i.e. invest in the current solution through the fixing of current system issues)

This Option includes retaining SAP and Workbrain but implementing system enhancements and configuration changes to address key issues. In addition, it includes improving system infrastructure capability to relieve performance and accessibility issues. This option excludes any major changes to the underlying technology platform. It may include realignment of business processes to functionality enhancements.

**Option 2 - Stabilise and optimise the existing solution environment**  
(i.e. undertake an "optimise" project of the current systems to resolve all current issues and improve usability at the "focal" level)

Under this option SAP and Workbrain would be retained by Queensland Health. This option differs from Option 1 in that it includes two concurrent projects: stabilise and optimise. The scope of the stabilisation project is the same as Option 1 - to enhance system and infrastructure capability. The optimise project, however, includes changes to the underlying technology platform to reduce system dependencies, streamline processing and enable efficiency improvements.

More specifically, leave and separation will be managed by SAP rather than Workbrain. In addition automated forms processing and Employee Self Service (ESS) and Manager Self Service (MSS) will be introduced. ESS/MSS provides an avenue for employees and managers to directly interact with the technologies e.g. Enter leave or view leave balances from a web site.

This option will be designed in line with the implementation of a new payroll operating model which is currently being piloted in two sites, with the objective of providing improved services at the district/hospital/divisional level. This option will also require effort in the people, process and technology layers of the solution to achieve alignment and integration. Enhancement to change management, communication and training are seen as critical activities for this option.

**Option 3 - Replace the existing rostering system (whilst retaining the current payroll system)**

This option retains SAP as the payroll system but substitutes the current rostering system, Workbrain, with an alternative rostering solution. The replacement system would be selected using the results of the shortlisting process conducted and described in *Section 4 - Vendor analysis* as a starting point.

This option will involve work streams in the people, process and technology layers to achieve alignment and smooth transition. A significant amount of effort is required around the rostering functions to cater for the change in system.

Like Option 2, this option will be designed in line with the new payroll operating model, i.e. at the "local", or decentralised, level.

**Option 4 - Replace all existing rostering and payroll systems**

Replace both the rostering system, Workbrain, and the payroll system, SAP. The roster replacement system will be selected using the results of the process conducted and described in *Section 4 - Vendor analysis* of this report.

This option will involve work streams in the people, process and technology layers to achieve alignment and smooth transition. A significant amount of effort is required as existing knowledge of the current solution would be lost (such as training materials and system expertise).

**Option 5 - Outsource the payroll function to an external organisation**

Outsource payroll processing to an experienced and well established commercial vendor. This involves partnering with the vendor to implement changes and system enhancements.

This option will involve work streams in the people, process and technology layers to achieve alignment and smooth transition. In addition to the potential implementation of another new solution, a significant amount of effort is required specifically around business processes, establishing maturity around IT Service Management (ITSM), focused contract management and Service Level Agreements (SLAs). This is required to integrate payroll processing with the overall HR function and business.

This option includes work streams for critical project components such as business process improvements, enhancements to the current communication and change management functions, training and rigorous testing both technically and by users.

**Option 6 - Maintain status quo of the current systems  
(i.e. no further investment in the current systems)**

Continue with the current SAP and Workbrain solution configurations and make no significant changes to the current rostering and payroll systems. This option excludes improvements to the current approach to communication, change management and business process improvement activities.

### 6.3 Step 2: Assess options

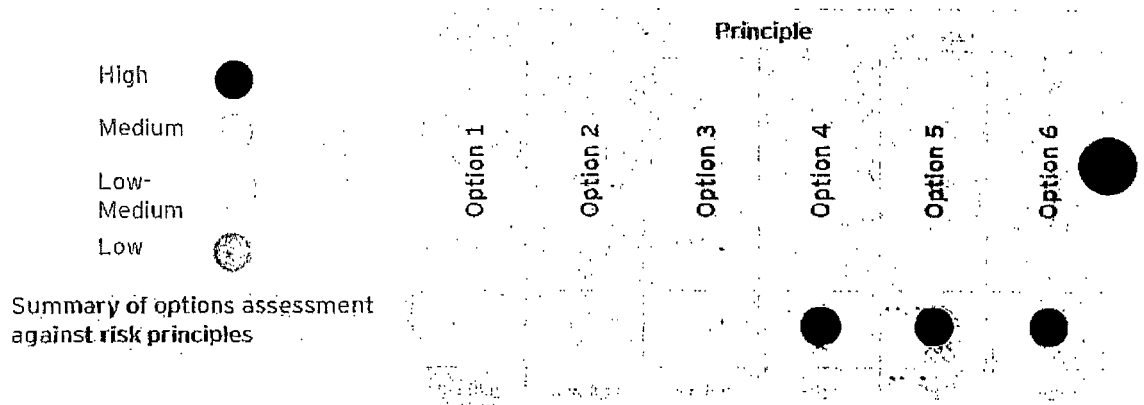
The options identified above have been assessed against six key principles with the overall objective of identifying the most effective and efficient, lowest risk option for Queensland Health for delivering solution outcomes in terms of removing staff "pain" and better supporting the payroll process.

These principles include:

1. **Impact on staff** - an option is high risk, if implemented, if it has a negative impact on district and payroll staff and other stakeholders, and potentially results in significant workplace impact or increases in average staff turnover
2. **Implementation timeframe** - an option is high risk, if implemented, if it takes in excess of 3 years to fully implement and achieve the specified vision
3. **Business fit and strategic alignment** - an option is high risk, if implemented if the solution is misaligned with the overall strategic direction of Queensland Health
4. **Solution effectiveness risk** - an option is high risk, if implemented, if it cannot address the current pain points that are being experienced by end users of the solution
5. **Stability risk** - an option is high risk if implemented if it continues to be unstable (e.g. system crashes and inaccessibility)
6. **Performance and scalability risk** - an option is high risk, if implemented, if it does not perform or is not of scale to respond to changing business requirements or the expected long term growth of Queensland Health

Table 5 provides a summary of the outcome of Step 2: Assess options has been outlined below:

Table 5: Summary of options assessment against risk principles



Any options that had an attached high risk (i.e. a red circle) were not considered for further assessment, therefore the options that scored a medium risk or below have been refined for Step 3: Analyse refined options component of this options assessment which has been provided below.

For the detailed assessment against all risk principles refer to *Appendix A - Detailed solution options assessment*.

## 6.4 Step 3: Analyse refined options

Based on the analysis above, the refined options for assessment include:

- ▶ Option 1 - Stabilise the existing solution environment
- ▶ Option 2 - Stabilise and Optimise the existing solution environment
- ▶ Option 3 - Replace the existing rostering system

The refined options are put through a series of assessments to determine their capability to provide a reliable and scalable payroll solution for Queensland Health. The outcome of these assessments highlighted the most effective and efficient, lowest risk option for Queensland Health.

- ▶ Option capability assessment: analyse if the option is capable of addressing the key issues identified by Ernst & Young during site visits, stakeholder engagements and the payroll state wide operations team. This team is responsible for addressing issues escalated from Queensland Health payroll processing hubs
- ▶ Option risk and impact assessment: analyse the strength, weakness, people impacts, process impacts and implementation risks

Table 6 below summarises the options capability and risk and impact assessments. For the detailed assessment refer to *Appendix A - Detailed solution options assessment*.

Table 6: Summary of refined options

Option 1 - Stabilise the existing solution environment	
Outcome:	Not preferable, not the most effective and efficient, lowest risk option
Explanation:	<ul style="list-style-type: none"> <li>▶ Short term fixes does not provide Queensland Health with a reliable and scalable payroll solution for future growth</li> <li>▶ May provide a stable environment in the short term, however requires significant investment to operate long term</li> <li>▶ Application maintenance can be costly due to the amount of system customisation</li> <li>▶ Issues inherent in the current situation will not be addressed</li> </ul>
Option 2 - Stabilise and Optimise the existing solution environment	
Outcome:	The most effective and efficient, lowest risk option for delivering solution outcomes in relation to removing staff "pain" and better supporting the payroll process.
Explanation:	<ul style="list-style-type: none"> <li>▶ Provides Queensland Health with a reliable and scalable payroll solution for future growth, such as effectively responding to the requirements of the National Health Reform</li> <li>▶ Involves stabilisation as well as optimisation. Two projects to yield the best outcome for Queensland Health for both the short and long term</li> <li>▶ Significant reuse of already established assets, including reuse of training materials and leveraging of existing system knowledge. This would result in a lower cost when compared to Option 3</li> <li>▶ Existing system vendor has a detailed knowledge of existing solution and the existing Queensland Health payroll issues and award structures</li> <li>▶ Will provide in the long term reduced data entry and reliance on paper based business processes that could lead to staff payments errors</li> </ul>
Option 3 - Replace the existing rostering system	
Outcome:	Not preferable, not the most effective and efficient, lowest risk option
Explanation:	<ul style="list-style-type: none"> <li>▶ High risk of separating Workbrain from the existing environment and introducing a "new" system into the current system environment</li> <li>▶ Additional effort of remediating the impact of separating Workbrain from the existing solution environment and the effort required to design and implement significant proportion of the solution</li> <li>▶ Minimal reuse of established assets such as training materials and system expertise</li> <li>▶ Queensland Health employees and HR officers have to adjust and adopt to a new system again</li> <li>▶ The new vendor would have a "learning curve" in relation to developing an understanding of the current payroll issues facing Queensland Health</li> </ul>

## 6.5 The most effective and efficient, lowest risk option

Based on the methodological approach to assessing the solution options, Option 2 - Stabilise and Optimise the existing solution environment - has been identified as the most effective and efficient, lowest risk option for delivering solution outcomes in relation to removing staff "pain" and better supporting the payroll process.

The most effective and efficient, lowest risk option for delivering solution outcomes in relation to removing staff "pain" and better supporting the payroll process is:

### *Option 2 - Stabilise and optimise the existing solution environment*

Option 2 provides both short term stabilisation as well as a platform that has the ability to handle future growth. Short term stabilisation is provided by improving the current system functionality without making fundamental changes to the underlying technology platform. Stabilisation is accelerated through the reuse and refinement of existing assets leading to lower change management efforts and stress for Payroll officers.

Option 2 extends Option 1 to address inherent issues with the current solution design. This includes:

- ▶ Improvement of current system functionality and reduction of paper based business processes
- ▶ The opportunity to build on the existing assets and the lessons learned reduces the cost and risk profile of Option 2
- ▶ A better, and "localised" environment that has the ability to handle future growth catering for the changing needs of Queensland Health and State Government requirements, such as the National Health Reform

Whilst Option 3 (replace rostering system), has the capability to ultimately achieve the same outcome as Option 2 (stabilise and optimise), it does have a higher risk profile (under our definition), particularly in relation to the impact to staff of a new system required to be implemented. Additionally, the lack of knowledge of how the new rostering system will operate and perform in the Queensland Health environment introduces an additional layer of risk to the outcomes.

The time and effort associated with Option 3 is considered the highest of the three options. This is mainly due to the lack of capability to reuse existing assets as well as the impact on SAP of removing Workbrain from the solution. Additionally, payroll officers are not familiar with the new system, resulting in the need for a fresh training program and change management.



## 6.6 Key commercial and contractual considerations

It is recommended that Queensland Health immediately conducts a review of the commercial and contractual agreements in relation to Workbrain and SAP HR. Depending on the outcome of the review, the feasibility and risk profile of Option 1 (stabilise) and Option 2 (stabilise and optimise) may need to be reviewed.

It is recommended that at a minimum the following contractual considerations be clarified:

- ▶ Current SAP and Workbrain licensing agreements and their impact on Queensland Health
- ▶ Obligations and commitment of vendors, in particularly Workbrain, to provide appropriately skilled resources locally as required
- ▶ The warranty and problem resolution processes including timelines and execution
- ▶ Obligations and responsibilities for management of the interface to clearly allocate accountability for system upgrades
- ▶ Initiate commercial negotiation as necessary
- ▶ If Queensland Health does not have autonomy over the current solution, determine the contractual boundaries and determine if variations to Option 1 or 2 are feasible. Option 3 will need to be reassessed in light of contractual and commercial clarifications

**Recommendation:** Review and implement robust contractual arrangements for system development and support

## 7. Findings

Queensland Health operates in a dynamic and complex environment which requires responsive and flexible supporting systems to efficiently assist with roster and payroll processing. It is important to note that the systems are the enabler of Queensland Health's services. It is the people, process and policies that will drive the behaviour of the systems.

It is widely acknowledged that the existing solution does not provide sufficient support for Queensland Health's rostering and payroll function. Therefore, the Queensland Health solution, in particular Workbrain, is to be re-implemented and be conducted as a separate Program to be made up of stabilise and optimise projects with a defined and agreed vision. This solution vision and design also needs to consider the Finance Solution vision, particularly as it relates to integrating key aspects such as costing and Activity Based Funding (ABF).

Both projects are to be conducted in parallel, with the stabilise project looking to ongoing activities of PIP, which has already been established to stabilise the current systems and implement fixes that can provide some immediate relief to payroll operators and recipients.

Once the majority of current stabilisation activities have been achieved, Queensland Health should also look to transition PIP resources into the optimisation project to allow for continuity of existing knowledge and skills.

It should be noted that this new Program will need up to 3 years to achieve the ultimate vision and be fully rolled out to all Queensland Health Districts, however during this time there will be ongoing issues prioritisation and fixes.

Based on our lowest risk assessment approach we recommend **Option 2: Stabilise and optimise current solution (Workbrain and SAP)**. This option provides:

- ▶ Both short term stabilisation and a scalable platform for future growth and response to the National Health Reform Agenda
- ▶ Accelerated stabilisation through the reuse and refinement of existing assets
- ▶ Lower change management efforts and stress for Payroll officers

Through the capability, risk and impact assessment outlined above, this option has a demonstrated capability to address immediate concerns as well as providing an environment that has the ability to respond and cater for long term growth. To ensure sustainable momentum, Queensland Health must conduct the stabilisation and optimisation projects concurrently. In addition, the alignment of people, process and technology are seen as critical to the success of the payroll solution.

## 7.1 Recommendations

In addition to the adoption of lowest risk option, provided below are Ernst & Young's recommendations to Queensland Health which are linked to better practice. These recommendations have also been referenced throughout this report.

1. Immediately initiate the Queensland Health Optimise Project to confirm the implementation roadmap and plan to deliver the future state including the following key activities:
  - a. Commence development of a "Program Management Plan" considering:
    - i Confirming the underlying technology platform optimisation and design
    - ii Establishing the end state vision of Queensland Health payroll solution and specify transitions
    - iii Defining impact and alignment to the stabilisation project
  - b. Establish a robust payroll solution governance model based on, at minimum, the following principles:
    - i Clear separation of roles, responsibilities and accountabilities for the stabilisation and optimisation projects, in particular:
      - ▶ Stabilisation project is executed by PIP and sponsored by the DDG of HR
      - ▶ Optimisation project is executed by the CIO and sponsored by the DDG of HR
    - ii Defined Key Performance Indicators
    - iii Establish an optimisation project steering committee group
  - c. Incorporate and clearly identify the consideration of lessons learnt from the current solution, both from the past and in the present, and embed into relevant activities in the roadmap
  - d. Review and implement robust contractual arrangements for system development and support (refer to *Section 6.6 - Key commercial and contractual considerations* for activities that should occur at minimum).

Note: Should Queensland Health be unable to negotiate a suitable commercial arrangement with Workbrain, Queensland Health should further investigate **Option 3 - Replace the existing rostering system**, using the outcome of the vendor analysis as a starting point.
  - e. Mobilise the project team for the Optimise Project Initiation Phase, this mobilisation needs to minimise impact on current stabilisation activities and resources:
    - i This mobilisation to include the availability of skilled SAP and Workbrain resources as per commercial and contractual negotiations
  - f. Conduct business requirement collection and confirmation, and a detailed fit and gap analysis. In addition to this:

- i The business requirements are to be formally documented, and must include formal checkpoints and progressive sign offs
    - ii A realistic budget is to be developed, and confirmed based on the sign off on business requirements to determine the effort required to deliver the full program of work
  - g. Prioritise investment activities between the Optimise Project Initiation Phase and other related projects to maximise Queensland Health's ROI
2. In line with the new payroll operating model, design the new solution at the "local", or decentralised, level, in particular taking rostering back to the local/district/divisional level to:
- a. Address the issues that have been experienced through the centralised model, i.e. the loss of localised processing knowledge in relation to local working conditions and challenges
  - b. Allow Queensland Health to support their own eHealth agenda and respond to changes in the Health sector, both Federally, as in the case of National Health Reform, and at a State level in terms of legislative change and industrial changes
3. Ernst & Young recognises that substantial work to address current payroll issues (through PIP) has already occurred to date. Queensland Health should continue this work along with:
- a. The development of an issue prioritisation strategy and criteria to assist with release scoping and definition for the stabilisation project. This strategy needs to include assessing and consolidating current issues against a formalised set of prioritisation principles
  - b. Identifying resources (such as resources from the implementation project and current HR payroll officers)
  - c. Leveraging lessons learnt to date
  - d. Incorporating and embedding relevant activities within the roadmap
  - e. A review and revision to existing change management, communication and stakeholder engagement plans
  - f. Keeping stakeholders well informed of direction and progress. Change management, including training needs, must be aligned to the stabilisation releases and future technology platform optimisations
  - g. The implementation of strong commercial arrangements with Infor (Workbrain system vendor) to successfully deliver fixes

**Note:** Should Workbrain be unable to address the bugs and issues, Queensland Health should further investigate Option 3 - Replace the existing rostering system, using the outcome of the vendor analysis as a starting point.

4. Establish a global Workbrain healthcare working group to share and leverage existing improvements in the solution. This provides the potential opportunity for Queensland Health to achieve greater economies of scale for Workbrain enhancements. A Canadian healthcare organisation has expressed interest in this. It is worth noting the healthcare organisation and Workbrain are well progressed on the journey to resolve some of the key issues currently faced by Queensland Health.

**Queensland Health should act immediately to implement the above mentioned recommendations**

## 7.2 Critical Success Factors for the recommendations to work

At a minimum, the following critical success factors should be taken into consideration and applied as relevant to the recommendations above:

1. Defined and signed off business requirements
2. Align all the stabilisation and optimisation projects with the Queensland Government Project Management Methodology
3. The solution vision and design is to consider impacts and interdependencies to related systems, including, the Queensland Health finance system
4. The solution design is to fully consider the two week payroll cycle timeframe requirements for Queensland Health, including supporting appropriate time for error corrections prior to payroll generation
5. Mature, comprehensive and consistent testing approach. Plan sufficient testing time and formal sign off at the end of each testing stage.
6. Clearly articulated Statement of Works and formal sign off of key documentation
7. Design and implement a comprehensive change management and training activities to support the program
8. Effective, consistent and timely communication
9. Implement separate Steering Committees for the Stabilisation and Improvement and Stabilisation and Optimisation Programs
10. Implement the solution progressively in a controlled, staged manner
11. Establish conditions for cooperation early on with stakeholders and effectively manage expectations
12. Alignment of people, process and technology
13. Leverage the current learnings and solution expertise and from PIP and transition into the optimisation project of the program
14. Enforce resource availability, in particular mandatory staff training courses
15. Strong commercial arrangements and ongoing management with the system vendor

## 8. Conclusion

This report has identified that the lowest risk option for Queensland Health is to stabilise and optimise the existing solution, SAP and Workbrain.

This involves maintaining Workbrain as the rostering system and SAP as the main HR/Payroll system. This will be conducted within two projects:

- ▶ The ongoing PIP stabilisation program will continue to look at technology capability enhancements to address existing issues
- ▶ The optimisation project will look at the solution technology platform to enable efficiency and scalability for the future

Both projects will require synchronisation and alignment of the people, process and technology layers of the solution. This report has also highlighted key contractual considerations and Queensland Health's autonomy over the solution as key issues that need to be immediately investigated and clarified.

### 8.1 High level roadmap

Queensland Health Payroll and Rostering solution will be centred on the solution roadmap towards the two concurrent projects within a single program. This roadmap will need to outline the key activities and against an approximate timeframe.

**Recommendation:** Immediately initiate the Queensland Health Optimise Project to confirm the implementation roadmap and plan to deliver the future state including the following key activities:

- a. Commence development of a Program Management Plan
- b. Establish a robust payroll solution governance model
- c. Incorporate and clearly identify the consideration of lessons learnt from the current solution, both from the past and in the present.
- d. Review and implement robust contractual arrangements for system development and support (refer to Section 6.6 - *Key commercial and contractual considerations* for activities that should occur at minimum)
- e. Mobilise the project team for the Optimise Project Initiation Phase, this mobilisation needs to minimise impact on current stabilisation activities and resources.
- f. Conduct business requirement collection and confirmation, and a detailed fit and gap analysis
- g. Prioritise investment activities between the Optimise Project Initiation Phase and other related projects to maximise Queensland Health's ROI

Provided in *Figure 5* below are the immediate activities that, at a minimum, provide the basis of initiating the program of work in line with recommendations provided in the previous section. Further activity will need to occur to confirm the roadmap below and also define further activities of work in the optimisation project.

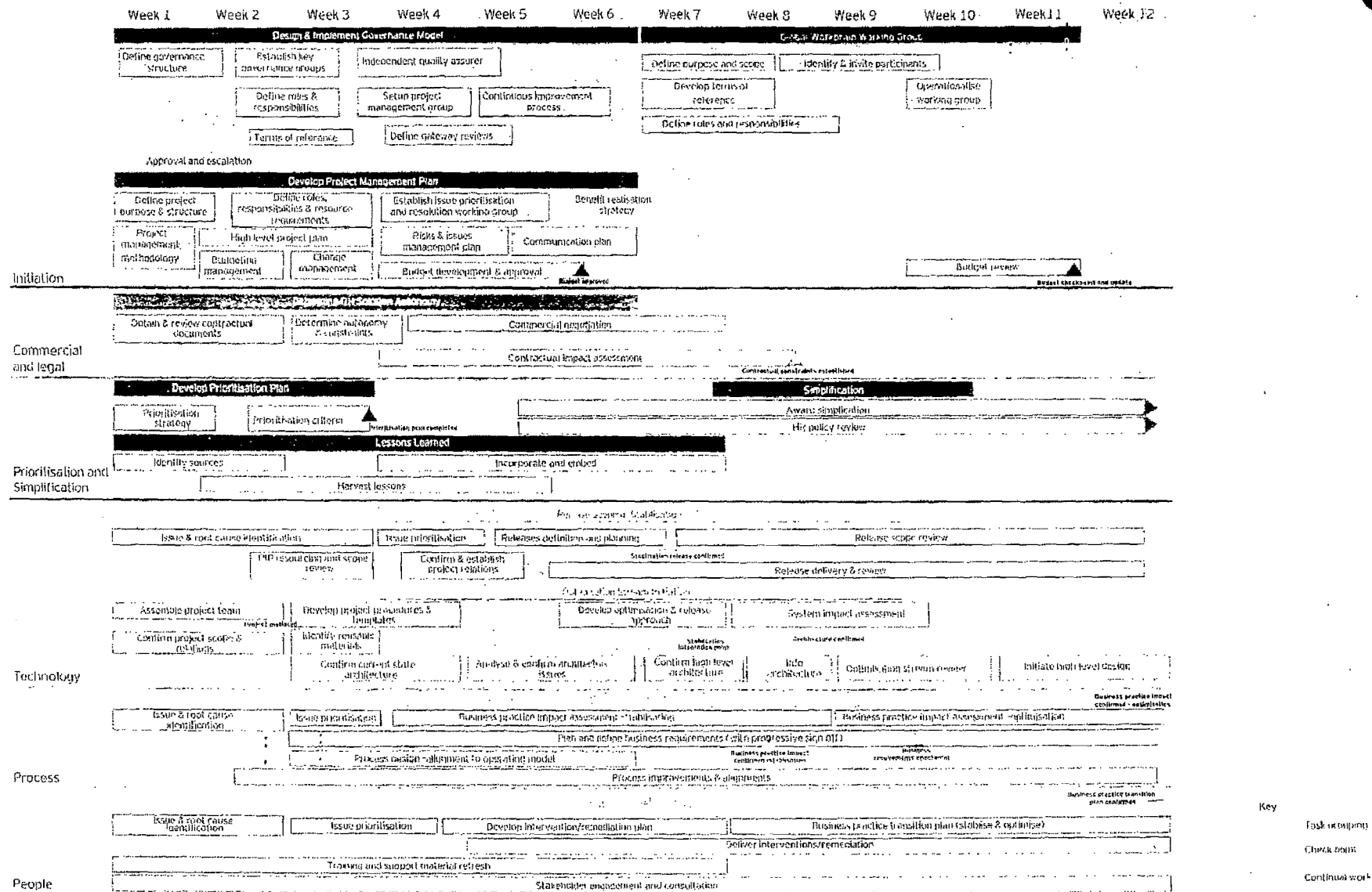


Figure 5: High level roadmap

# Appendix A Detailed solution options assessment

Section 6 - Solution options assessment identified the most effective and efficient, lowest risk option for Queensland Health is Option 2 - Stabilise and optimise the existing solution environment. This appendix provides the detailed assessment results of Step 2: Risk assessment principle results and Step 3: Analyse refined solution options, as well as additional reasoning behind other option exclusions.

## Step 2: Risk assessment principle results

Table 7 below assesses each solution option in terms of the probability of being unable to satisfy the risk principle and description.

Any solution option rating high against any of the risk principles will be excluded from further assessment.

Table 7: Options assessment against risk principles

	Principle					
	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Impact on staff				High	High	High
Implementation timeframe	High	Low-Medium		High		N/A
Business fit and strategic alignment		Low			High	
Solution effectiveness risk		High	High			High
Stability risk		High	High	Low-Medium		High
Performance and scalability risk		Low-Medium		Low-Medium	High	High



## Excluded options

Based on the above assessment, *Table 8* below summarises options that are excluded:

Table 8: Exclusions

Option	Exclusions
Option 4 - Replace all existing rostering and payroll systems	<ul style="list-style-type: none"> <li>▶ Long term, delayed results</li> <li>▶ Does not leverage established knowledge and systems (such as training materials and system expertise)</li> <li>▶ High implementation risk</li> <li>▶ Unpalatable to stakeholders unless Workbrain proven unfixable</li> </ul>
Option 5 - Outsource the payroll function to an external organisation	<ul style="list-style-type: none"> <li>▶ Staff lacking confidence in third party operators who have limited knowledge of Queensland Health</li> <li>▶ Does not enable Queensland Health to rapidly initiate changes due to the involvement of commercial vendor - contractual issues and process flows changes can be time consuming</li> <li>▶ Unlikely to be as responsive and integrated as an internal payroll function</li> </ul>
Option 6 - Maintain status quo	<ul style="list-style-type: none"> <li>▶ Further staff financial and morale impacts</li> <li>▶ High potential for industrial action</li> <li>▶ Current pain points such as performance stability will not be addressed</li> <li>▶ High number of workarounds and errors that are unsustainable</li> <li>▶ Unable to effectively respond to changing legislation and requirements</li> </ul>

## Step 3: Analyse refined solution options

Based on the analysis above, the refined options for assessment include:

- ▶ Option 1 - Stabilise the existing solution environment
- ▶ Option 2 - Stabilise and Optimise the existing solution environment
- ▶ Option 3 - Replace the existing rostering system

The refined options are put through a series of assessments to determine their capability to provide a reliable and scalable payroll solution for Queensland Health. The outcome of these assessments highlighted the most effective and efficient, lowest risk option for Queensland Health.

- ▶ Option capability assessment: analyse if the option is capable of addressing the key issues identified by Ernst & Young during site visits, stakeholder engagements and The payroll state wide operations team (this team is responsible for addressing issues escalated from Queensland Health payroll processing hubs)
- ▶ Option risk and impact assessment: analyse the strength, weakness, people impacts, process impacts and implementation risks

*Table 9* below assesses each option's ability to address the some of the key issues that were found as part of:

- ▶ Ernst & Young's site visits
- ▶ Stakeholder engagements
- ▶ The payroll state wide operations team

Table 9: Option capability assessment

Current Workbrain capability does not support management of concurrent employees. Workbrain in its current form does not support:

- ▶ Identification/flagging of a concurrent employee
- ▶ Roster restriction enforcement to avoid duplicate roster
- ▶ Accurate calculation of work details for each role for the employee

Current Workbrain capability does not provide flexible and efficient leave processing. More specifically:

- ▶ Leave has to be entered/amended sequentially (by date)
- ▶ Transfer of leave balances for employees holding multiple roles requires multiple transactions (e.g. one transaction to reduce leave balance and another transaction to increase leave balance)

Current solution does not provide sufficient flexibility in processing employee termination. More specifically:

- ▶ Flexibility to amend data of separating/separated employee. Currently employee need to be reinstated for any amendments (e.g. shift changes)

Current Workbrain capability does not provide a flexible mechanism to adjust employee meal breaks.

Current solution does not comprehensively support pay in advance processing. More specifically post the payroll cut off in Workbrain:

- ▶ A pay in advance cannot be requested
  - ▶ An amendment in a staff members pay cannot be requested
- Employee can be overpaid by SAP in the situation where an employee deduction was increased (e.g. annual health insurance premium increases) after the deduction was made as part of a pay in advance

Current solution results in inconsistent leave balance in Workbrain and SAP.

Current solution does not adequately support data requirements of business processes. More specifically:

- ▶ SAP to Workbrain data flow needs to be more frequent
- ▶ Leave balance cannot be obtained in a timely manner to support leave payout without termination

Work details from Workbrain to SAP currently run 5 times per day. There is too much data in each run, containing a significant amount of errors and needing significant reconciliation efforts.

Current solution suffers from performance issues in the lead up to payroll runs.

Current solution does not support efficient processing. A number of payroll functions involve a number of processes e.g. termination, leave amendments, etc.

Current solution does not scale well with increase usage and data processing.

Ability to effectively handle and respond to the requirements of the National Health Reform agenda, in particular the introduction of Local Health and Hospitals Network

Notes:

- ▶ For Option 3, it should be noted that it is assumed system customisations will be made where the system is not capable of addressing the cause of issues
- ▶ Based on the above capability assessment, Options 2 and 3 provide Queensland Health with a better opportunity to establish a stable and scalable payroll solution. Whilst

Option 1 is capable of addressing the majority of the key issues, it does not provide a scalable platform for future growth and addressing the future needs of Queensland Health

The tables below provide the option risk and impact assessment for all three remaining options.

Table 10: Option 1 assessment

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▶ Lowest implementation cost - does not involve significant technical change in comparison with other options</li> <li>▶ Lower learning curve for payroll staff. Payroll staff has become familiar with the current systems and will be able to make use of the enhancements easily</li> <li>▶ Lower training and change management as user has a degree of familiarity with the system</li> <li>▶ Current training materials can be reused</li> </ul>	<ul style="list-style-type: none"> <li>▶ Apply fixes will not address underlying architectural issues, such as data inconsistencies between two systems</li> <li>▶ Does not provide a scalable platform for responding to changing government requirements such as the National Health and Hospitals Network</li> <li>▶ Performance issues cannot be fully addressed</li> <li>▶ Legislative reporting will remain difficult, such as the reporting of employee leave balance to Queensland Treasury due to concurrent employees holding two balances in Workbrain</li> <li>▶ Elevated cost of system maintenance due to higher level of system customisation</li> </ul>
<p>People risks</p> <ul style="list-style-type: none"> <li>▶ Change management including training and communication insufficiently revised to address current issues which could result in industrial action</li> <li>▶ Staff perception of change will be low as the system remains largely the same</li> <li>▶ Morale and confidence in the system will require time to establish</li> <li>▶ Payroll processors become further frustrated with the cumbersome system</li> </ul>	<p>Process risks</p> <ul style="list-style-type: none"> <li>▶ Data to be entered by roster staff, increasing opportunity for error (e.g. interpretation of roster forms)</li> <li>▶ Data needs to be manually entered by roster staff, increasing workload</li> <li>▶ Process efficiency improvements will be limited due to system dependencies</li> </ul>
<p>Implementation risks</p> <ul style="list-style-type: none"> <li>▶ Subject matter experts may not be readily available as they would be occupied with payroll processing and change management activities such as training</li> <li>▶ Likely to enter into a never ending recurring loop of continuous system enhancements</li> </ul>	

Table 11: Option 2 assessment

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▶ Low to moderate learning curve for payroll staff. Payroll staff has become familiar with the current technologies and will be able to adjust accordingly with relative ease</li> <li>▶ Leverage knowledge of the current environment in making improvements. Opportunity to directly adopt lessons learned</li> <li>▶ Vendor has detailed knowledge of existing solution and Queensland Health environment</li> <li>▶ Provides opportunity to eradicate the inherent issues in the current solution technology platform</li> <li>▶ Streamlined and more efficient processing</li> <li>▶ Reduced system dependencies and consolidated data to better support business processes</li> <li>▶ Opportunity to empower employees with technology to enable direct access to data and data</li> </ul>	<ul style="list-style-type: none"> <li>▶ Two concurrent projects will require a high number of resources</li> <li>▶ Technology platform optimisation will require more implementation time, upwards of 18 months</li> <li>▶ Significant amount of change management, staff and union consultation effort is required to provide ESS/MSS support to end users</li> </ul>

### Option 2 - Stabilise and optimise the existing acquisition environment

#### entry

- ▶ Involves stabilisation as well as optimisation. Two projects to yield the best outcome for Queensland Health for both the short and long term
- ▶ Reuse established assets such as training materials
- ▶ Leverage the core competency of each system
- ▶ Provides a scalable platform for responding to changing government requirements such as the National Health and Hospitals Network

#### People Impacts

- ▶ Reduce the demand for staff to have detailed knowledge of both technologies
- ▶ User familiarity with the technologies
- ▶ Directly address people's concern
- ▶ Payroll officers will have to adopt to changes from optimisation

#### Process impacts

- ▶ Streamlined and more efficient processing
- ▶ Changes to existing processes
- ▶ Moderate amount of revision to existing processes and documentation

#### Implementation risks

- ▶ Need to secure skilled Workbrain resources for two projects
- ▶ Subject matter experts may not be readily available as they would be occupied with payroll processing and change management activities such as training
- ▶ Strong and robust change management is required
- ▶ Consistent and constant consultation and engagement with unions and end users on ESS/MSS is required
- ▶ Synchronisation of two concurrent projects

Table 12: Option 3 assessment

### Option 3 - Replace the existing rostering system

#### Strengths

- ▶ Offers a "fresh start" in the minds of supporting stakeholders
- ▶ Provides a scalable platform for responding to changing government requirements such as the National Health and Hospitals Network
- ▶ Has a Queensland Health Awards template that has been implemented at a Queensland healthcare agency

#### Weaknesses

- ▶ A complete new system that Queensland Health and HR staff to understand and be trained in
- ▶ Minimal reuse of existing assets, particularly around rostering training materials
- ▶ Significant amount of change management effort is required
- ▶ Involves architectural changes that will add to implementation time
- ▶ Will require significant amount of resources to redevelop business processes, training material, system design and testing
- ▶ Does not provide short term stabilisation
- ▶ Impact on SAP and the overall solution to remove Workbrain
- ▶ High cost

#### People Impacts

- ▶ Going on the journey again can be draining on payroll staff
- ▶ Higher levels of resistance to change owing to change fatigue
- ▶ Staff need to adopt and learn to use the new system

#### Process Impacts

- ▶ Streamlined and more efficient processing
- ▶ Significant amount of revision to existing processes and documentation

#### Implementation Risks

- ▶ High risks with an unfamiliar system
- ▶ Extensive and comprehensive end to end, performance and scalability testing is required
- ▶ Complete recreation of project collateral will be a drain on resources e.g. training materials and communications
- ▶ Subject matter experts may not be readily available as they would be occupied with payroll processing and change management activities such as training
- ▶ Significant amount of change management, stakeholder engagement and consultation is required

Option 3 - replace the existing HR system

- ▶ Synchronisation of two concurrent projects

### Summary of appendix

The information provided in this Appendix further supported the most effective and efficient, lowest risk option for Queensland Health being Option 2 - Stabilise and optimise existing solution. A Summary of this information has been provided in *Section 6.5 - The most effective and efficient, lowest risk option.*

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#### ATTACHMENT 4: Summary of EY Recommendations and QH Response

No	Ernst & Young Report Recommendations		Accept/Reject
<b>Option 2 chosen – Stabilise and optimise the existing solution environment</b>			
1	Immediately initiate the Queensland Health optimise project to confirm the implementation roadmap and plan including:	a) Commence development of a detailed Program Management Plan	Accept
		b) Establish a robust governance model in alignment with the Queensland Audit Office recommendations.	Accept
		c) The implementation roadmap should incorporate the lessons learnt from the current solution implementation, both past and present	Accept
		d) Review and implement robust commercial arrangements for system development and support	Accept
		e) Mobilise the project team for the Optimise Project Initiation Phase, which needs to minimise impact on current stabilisation activities and resources (including skilled Work brain and SAP resources)	Accept
		f) Conduct business requirement collection and confirmation, together with a detailed 'fit' gap analysis (this includes formal documentation and progressive sign offs)	Accept
		g) Prioritise investment activities between the Optimise Project Initiation Phase and other related projects to maximise Queensland Health's Return on Investment (ROI)	Accept
2	Design the new solution at the 'local' or decentralised level in line with the localised payroll business model. In particular, taking rostering back to the local/district/divisional level to:	a) Address the issues that have been experienced through the centralised model, i.e. the loss of localised processing knowledge in relation to local working conditions and challenges	Accept
		b) Allow Queensland Health to support their own eHealth agenda and respond to changes in the Health sector, Federally (as in the case of National Health Reform), and at a State level (in terms of legislative change and industrial changes)	Accept
3	Ernst & Young recognises that substantial work to address current payroll issues (through PIP) has already occurred to date. Queensland Health should continue this work alongside a formalised issue prioritisation strategy		Accept
4	Establish a goal Work brain healthcare working group to share and leverage existing improvements in the solution		Accept

Ernst and Young SUPPLEMENTARY Report on QH rostering and payroll systems



Department of Health and Ageing  
Queensland Health

Addendum: Example Implementation Strategy  
Queensland Health

October

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## Purpose of this Addendum

In the report, "Review of Payroll and Rostering Solutions" ("the Report"), developed by Ernst & Young for Queensland Health, it was identified that the retention of the current systems, Workbrain and SAP, would provide the most efficient system option to support the complete and accurate pay of Queensland Health staff. In making this recommendation it was identified, however, that the current systems would need to be re-implemented to support the resolution of all current critical system issues.

To support this core recommendation and allow for an appropriate assessment of the full Report, this Addendum has been prepared to provide additional information, including an Indicative Implementation Strategy, which outlines key considerations including:

- ▶ What steps are necessary to assist in ensuring accuracy of the payroll system and the immediate timeframe for delivering them
- ▶ What steps are appropriate to ensure operational efficiency of the payroll system in the short to medium term;
- ▶ What other steps are available that go beyond the 'payroll fix', which may add new functions to the system in the longer term.

This addendum also provides additional information to the three month high level roadmap that was provided in the Report. This three month roadmap needs to be considered priority activity for Queensland Health to initiate and plan for the next eighteen months.

## Approach

Ernst & Young undertook a four step approach to developing the Implementation Strategy for Queensland Health:

1. Confirm the Payroll and Rostering system vision and the objectives
2. Develop the strategy and integration with the Payroll Improvement Program (PIP) and the current state
3. Take the key pain points identified through the Ernst & Young review and allocate to stream within the new program and PIP
4. Consideration and development of a roadmap which respects to the ongoing impact on staff.

Further, in developing our recommended implementation strategy, we have considered the time critical nature of resolving the current system issues.

## Assumptions

The following assumptions have been made during the development of this addendum:

- ▶ The Ernst & Young recommended 3 month roadmap provided in the Report is executed as a matter of priority
- ▶ The roadmap provided in this addendum is for the next 18 months only and requires further confirmation and scope definition through a detailed implementation plan
- ▶ There will be a heavy focus on the people through focused change management, consistent communication and effective training
- ▶ Resources and budget are available to conduct the activities identified in the roadmap within the specified timeframe

Ernst & Young identified in the Report that the full extent of payroll related errors, exceptions and recommended optimisation improvements would take up to three years to achieve, **however** during this time there will be ongoing issue prioritisation and fixes. The indicative Implementation Strategy has been developed to address the immediate Vision and requirements.

Specifically, the following Vision has been considered in prioritisation of activities and fixes.

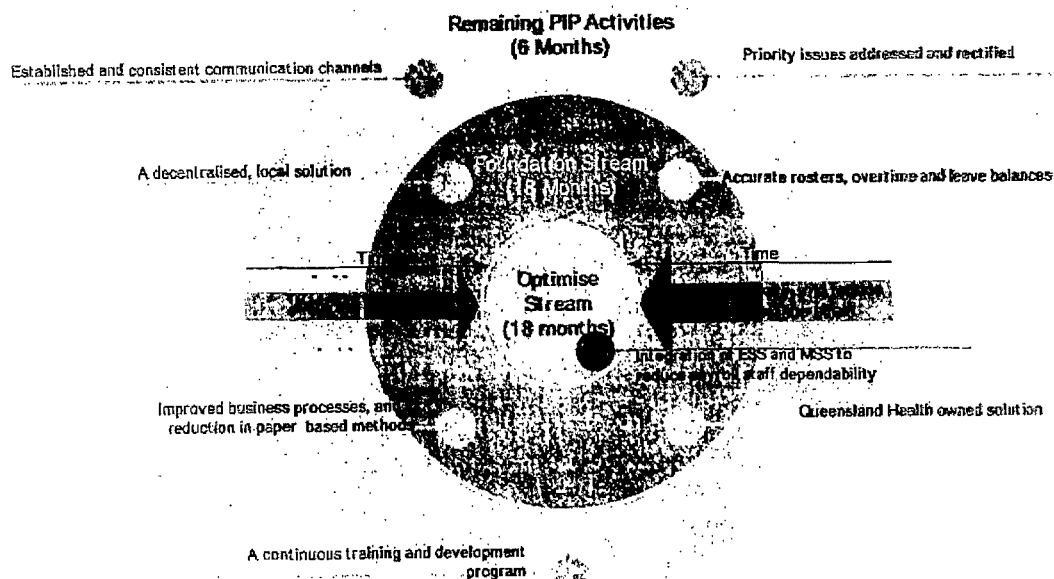
**"An efficient payroll solution as a matter of priority that assists in supporting simplified and improved business processes for workforce management to deliver correct pays, and extended technology improvements for Queensland Health staff and stakeholders."**

## Achieving the Vision

In delivering to this Vision, the following Program activities are recommended:

- ▶ The PIP Program will continue to deliver immediate, prioritised and ongoing system improvements over the next six months and maintain focus on operational fixes whilst the re-development project is initiated, after which time it will transition into the Payroll Foundation Program.
- ▶ Initiate, in parallel to the PIP Program, a redevelopment project, the **Payroll Foundation Program** to remedy the remaining critical system and associated process issues which cannot be remedied without a re-implemented system within eighteen months of the commencement of the Payroll Foundation and Optimisation Program (note: this eighteen month period runs in parallel with the PIP activities above)
- ▶ Assess the potential for the establishment of a **Payroll Optimisation Stream** to deliver additional enhanced system and process functionality in the eighteen months following the Foundation Stream (this work is optional dependent upon Queensland Health priorities)

A summary of the key issues to be remedied by each activity above is identified in the diagram below.



These outcomes have been, in essence, the guiding factors that have structured the proposed strategy and roadmap for the next 18 months for Queensland Health. This strategy and roadmap are provided below.

## Strategy Overview

This section provides the suggested 18 month strategy for Queensland Health in relation to the suggested programs to take place, and in particular how they will operate and integrate in order to effectively work towards achieving the ultimate vision for Queensland Health. We have also outlined how the optional optimisation activities integrate with this strategy.

As can be seen in the diagram below, and as aforementioned, this strategy is made up of two programs of work that including; PIP and the Optimisation Program. The points to note from this strategy include:

- ▶ The 3 month roadmap from the report will be executed as a matter of priority, specifically the commercial negotiations with the system vendor
- ▶ Both Programs are to be managed and integrated by a focused integration management function
- ▶ PIP to conclude and transition resources into the Optimisation stream in June 2011, and handover issue identification prioritisation responsibilities
- ▶ The Foundation stream to be fully rolled out in phases either by Payroll Hubs and Spoke sites and associated Health Districts (such as Far North Queensland), or by work segment (such as State-wide Clinical Services) depending on how Queensland Health decides to approach the rollout. However whichever approach is decided upon it must be based on maintaining a low risk approach which considers the impact of staff.

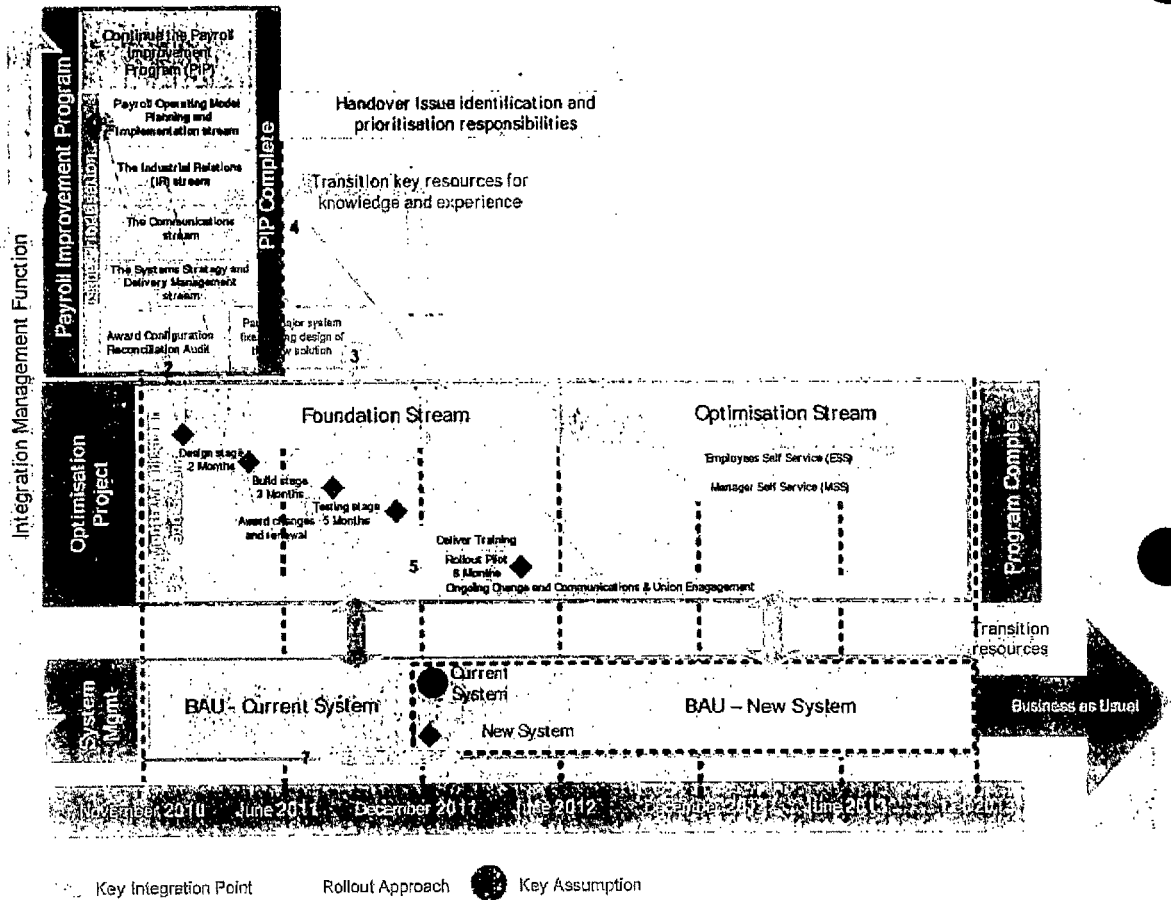
The solution should be rolled out in 3 waves (2 segments or districts to begin with) across an 8 month period, and deliver:

- ▶ A payroll portal for processing leave and terminations
- ▶ A local solution and scaled back district security model view
- ▶ A series of e-forms that directly upload into Workbrain, including electronic AVAC forms and a standard roster template. These will be optional for use by Queensland Health staff, however will remove double handling of information and therefore potential misinterpretation

The optional Foundation stream is to provide a more robust and scalable platform to extend the functionality of the systems through the optimisation stream. This stream will deliver:

- ▶ ESS
- ▶ MSS

The above technology should be piloted through kiosks located at several facilities to give staff the opportunity to use the ESS and MSS functionality.



As can be seen above, there are numbered items with connecting lines. The green indicates key integration points, the yellow indicates the rollout approach, and the red indicates key assumption points.

The red diamonds indicate gating assessments as each key stage of the Foundation stream. Each key stage must satisfy the assessment criteria in order to pass through it.

These have been described in the table below.

**Integration points, rollout and assumptions**

- 1 The current preparatory work for a new payroll operating model for Queensland Health is to assist with the design of the new solution during the Foundation stream.
- 2 Within the PIP stream we are suggesting an award configuration and reconciliation audit be carried out which essentially reviews all awards built in Workbrain to determine if they reconcile to existing Queensland Health agreements. The outcome of this audit will inform the award changes that need to occur in the build stage of the Foundation stream, specifically the Award changes and renewal activity.
- 3 A key activity of the Systems Strategy and Delivery Management stream of PIP is to identify and address solution issues from a people, process and technology perspective. Given this, there should be no major system enhancements or improvements made in the lead up to, during and beyond the build stage of the Foundation stream in order to avoid any double investment or



overlap of effort or thinking.

Further, any requirements, enhancements or improvements made should be documented and incorporated into the design stage of the Foundation stream.

4

The industrial relation stream of PIP is an important integration point as the work to date and key learnings should be leveraged to ensure that no overlap of similar activities are conducted, or work re-created.

5

The rollout of the solution (further outlined in the next section) will be conducted via 3 waves, with first containing two pilots.

Each wave will contain the following key components:

- 2 months parallel testing with the legacy system
- 3 Week cutover period
- 2 months of post implementation support

Further consideration and scoping is required before a decision is made to either rollout the new solution by work segment or by Payroll Hubs and Spoke sites and associated Health Districts. However the key driving factor will need to be what is of lowest impact to staff.

A key assumption is that Queensland Health will have ownership of the solution that is developed from the Payroll Foundation and Optimization Program. The new solution will be owned by Queensland Health as it is transitioned by either segment or by district via the waved approach (point 5 above).

7

A key integration point will be to transition the current Corptech system support knowledge into the new Queensland Health owned solution. There should be a specific team deployed to manage this work and ensure all relevant knowledge is passed on.

#### Readiness Assessments

At the conclusion of the 3 month initiation conduct an assessment to determine if the Foundation is setup for success in terms of:

- ▶ Plans
- ▶ Resource skills and competency levels
- ▶ Budget
- ▶ PMO tools and processes (including scope, change, risk e.t.c)

At the end of the design stage conduct an assessment that determines if people, process and technology factors have been integrated and sufficiently incorporated into all aspects of design. This assessment should also include a joint venture audit that determines the collective buy in from Workbrain and SAP and their commitment to the design of the new solution.

At the end of the build stage conduct an assessment to determine if the build of the new solution is in line with the signed off business requirements, and if the findings from the previous assessment (i.e. people, process technology integration) have been incorporated.

Conduct a testing assessment to determine if the signed off test scripts have been followed and sufficiently carried out. The sign off of testing should not occur until all key findings have been addressed.

Before the handover of the old to the new solution, a transition readiness assessment should occur. This assessment is to determine if the right tools, processes, procedures e.t.c. are in place, and if such factors have been effectively communicated to Queensland Health staff.



Before any go-live (either by work segment or by Payroll Hubs and Spoke sites and associated Health Districts) occurs a go-live readiness assessment must occur which will include assessing the results of the parallel testing activities and if any anomalies exist. All key findings must be sufficiently addressed before go-live can occur.

In line with the strategy above, the following section will provided the high level roadmap for the Foundation stream.

Provided in 0 - Appendix A Allocating the Pain Points is a list of the key pain points (which were identified in the report and during the course of the review) that have been allocated to the PIP, the Foundation or the Optimisation streams.

## Foundation Stream Roadmap

This section provides the 18 month roadmap for the Foundation stream for Queensland Health in addition to the initial 3 month roadmap that was provided in the Report. This roadmap has been developed in consultation with the system vendors (Workbrain and SAP), and Queensland Health, as well as utilising Ernst & Young's existing industry experience.

### Implementation Principles

In developing the Foundation Stream roadmap the following key principles have been considered in prioritising activities over the next 18 months:

- ▶ Critical system fixes are to be implemented as a matter of priority through either PIP or the proposed new "Foundation Project" (the "Project")
- ▶ Lessons Learnt from the original implementation are being reviewed and addressed in the current Project e.g. Training, Testing, Phased Go-Lives
- ▶ PIP will focus on delivering critical fixes which can be delivered within the current system architecture over the next 6 months
- ▶ The Project will deliver continued change management support and system support over the next 18 months through the Foundation Stream
- ▶ Change Management will form a key stream to ensure that staff and unions are consulted and supported during the activities
- ▶ Further enhancements to expand functionality should be considered after the Foundation Stream is implemented

### The Roadmap

Provided below is the 18 month Foundation stream roadmap, noting that the:

- ▶ Dark grey boxes indicate a stage
- ▶ Light grey boxes indicate a high level activity
- ▶ Yellow diamonds indicate a key milestone for the stream
- ▶ Red diamonds indicate a review (described in the previous section)

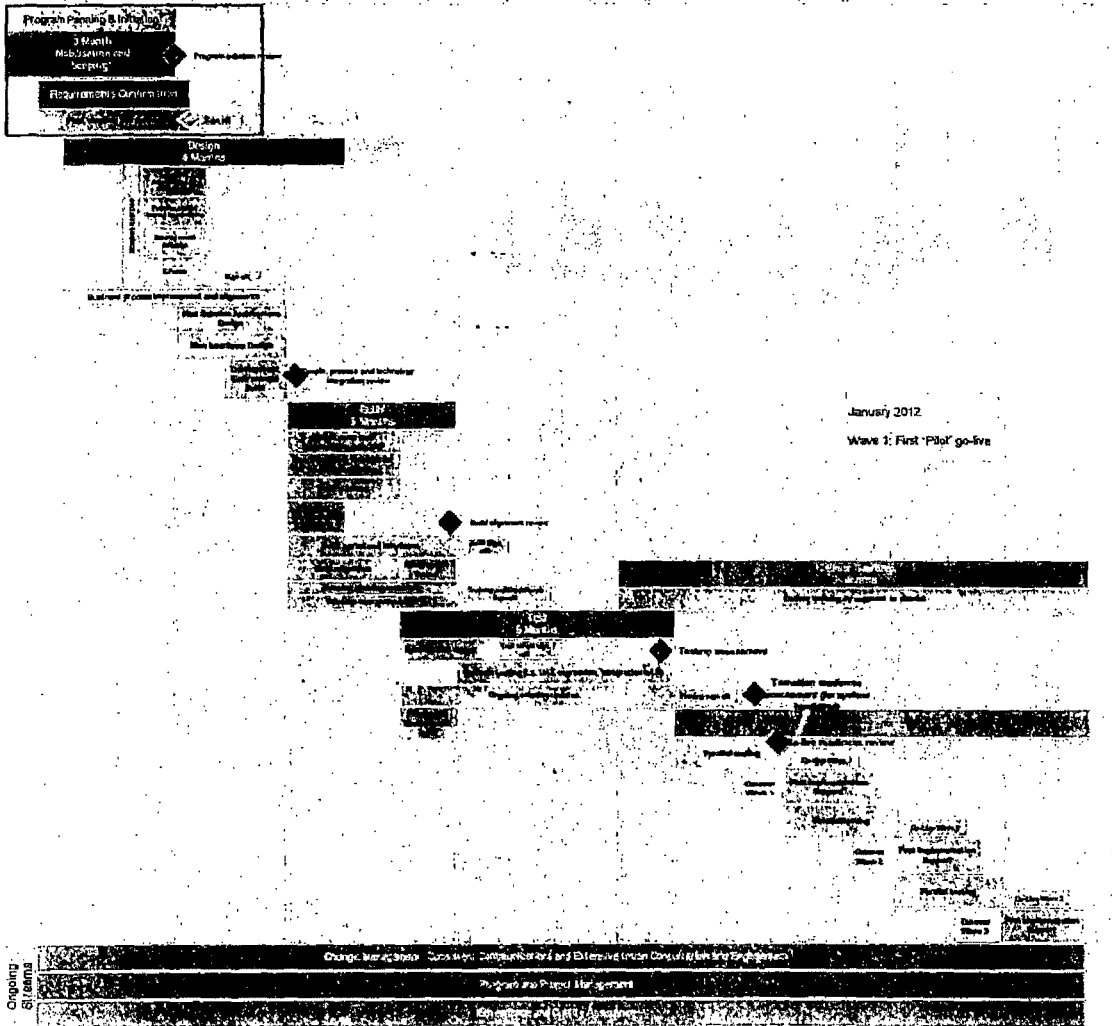
Note that November and December have been set aside for the execution of the 3 month roadmap from the report which transitions into the requirements and design stages of the Foundation stream in 2011.

This roadmap provides estimated timeframes and activities only, a detailed implementation plan should be developed in line with the Program Management Plan (recommended in the Report) utilising the information below as a starting point

# Foundation Stream Implementation Roadmap

2010 2011 2012

Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun July



Grouping:  
S/teams

## Program Planning and Initiation (3 months)

The activities to occur in this stage have been provided in the 3 months roadmap in the report. However, to reiterate the following activities with the system vendor must occur as a matter of priority:

- ▶ Confirmation that the existing issues and pain points can be resolved
- ▶ Commercial and service level negotiations

The red box in the roadmap above also extends to the Requirements Confirmation activity. Although this has been provided in the 3 month roadmap it should also be initiated urgently.

Before progressing onto the Design phase, ensure the key findings from the Program initiation review are addressed and the business requirements have been signed off.



Program initiation review

Sign off

## Design (4 Months)

The design stage is anticipated to take 4 months. The key activity of the design stage is scoping what is to be delivered by the Foundation stream and setting the expectations of stakeholder upfront. Based on our understanding of the pain points and what is achievable in the next 18 months we are suggesting the following be scoped and designed:

- ▶ Moving leave (accumulation and booking) and terminations out of Workbrain and into SAP
- ▶ A single entry portal for payroll staff for enabling leave and terminations
- ▶ Re-defining the security model to only allow district view, the business model will also need to be scoped and defined
- ▶ E-forms for AVACs and rosters

Before sign off occurs it is suggested that the findings from the People, process and technology integration review are addressed and there is joint agreement from the vendors that both Workbrain and SAP will operate effectively together within the new solution.



People, process and technology  
integration review

Sign off

For the above to be most effective Workbrain will need to re-implemented and the underlying architecture and interfaces re-designed. This work should be done in parallel with business process improvements and alignments, which would have been initiated in the first 3 months of the stream.

Note: An activity to develop a new build environment has been factored into this 4 month timeframe if one does not already exist.

## Build (3 Months)

The build stage is estimated to take 3 months which is reliant on the sign off of the scope of what is to be delivered and the availability of skilled resources. The following key items will be built:

- ▶ New Workbrain solution for implementation
- ▶ Leave and terminations in SAP
- ▶ E-forms
- ▶ Portal and re-designed interfaces

The solution that is built will be reviewed for completeness against the business requirements which will be conducted through a Build alignment review. The key findings from this review are to be addressed before sign off occurs



Build alignment review

Build Sign  
off

In parallel with the build activities above, new training materials and procedures are to be developed in line with the business process and system improvements in the design stage. Note that training materials are to cover training in both systems to allow for better understanding of information flow between systems.

Training and Procedures  
Sign off

Note: An activity to develop a new test environment has been factored into this 3 month timeframe if one does not already exist.

## Test (5 Months)

Given the previous testing outcomes on the current solution this stage will come under heavy scrutiny, and require formal sign off from senior executive stakeholders. The test scripts that are developed will need to be developed based on realistic scenarios, and be closely followed during the testing stages (i.e. UAT, regression, integration e.t.c).

Before testing is signed off, a testing assessment should be carried out that determines if the test scripts have been sufficiently followed and executed, as well as the general outputs of the testing activities.

Once the key findings from this review have been addressed, and the approver is satisfied that all relevant solution adequately reflect the business requirements, the testing stage may be signed off and be progressed to the rollout stage.



Testing assessment

Testing sign off

Note: An activity to develop a new production environment has been factored into this 5 month timeframe if one does not already exist.

## Deliver training (9 Months)

Training is to be delivered by work segment or by Payroll Hubs and Spoke sites and associated Health Districts depending on what rollout approach is decided upon during the planning and scoping phases of the Foundation stream. The training packages would have been developed and signed off, however they should be re-visited prior to training being deployed to ensure they reflect any recent solution changes.

Training will be delivered in both systems so users can better understand how both systems work, and how information flows between them.

## Rollout (8 months)

The rollout of the solution will be conducted via 3 waves. As mentioned previously, this could be approach through either a segment or a district rollout. Some high level advantages and disadvantages of each have been provided below:

- ▶ Work Segment rollout - Roll the solution out to work segments such as State-wide clinical services or Corporate services
  - ▶ Advantages – Focused set of rules to be rolled out in a single wave
  - ▶ Disadvantages – Geographic locations of segments, i.e. use of legacy and new solution, and therefore two different sets of business processes, in a single payroll processing area
- ▶ Payroll Hubs and Spoke sites and associated Health Districts rollout - Roll the solution out to Payroll Hubs and Spoke sites and associated Health Districts, such as Far North Queensland
  - ▶ Advantages – Concentrated support resources in one geographic area
  - ▶ Disadvantages – Full set of rules and awards to be rolled out in a single wave

Further consideration and scoping is required before a decision is made to either rollout the new solution by work segment or by Payroll Hubs and Spoke sites and associated Health Districts. However the key driving factor here will need to be what is of lowest impact to staff.

Whichever approach is selected, the rollout of the solution will be conducted via 3 waves, with first containing two pilots and is estimated to go-live in January 2012.

Each wave will contain the following key components:

- ▶ 2 months parallel testing with the legacy system
- ▶ 3 Week cutover period
- ▶ 2 months of post implementation support

Before any go-live can occur it must be signed off, and the key findings from the go-live assessment addressed.

◆ Go-live readiness review

◆ Go-Live Wave 1

◆ Go-Live Wave 2

◆ Go-Live Wave 3



## Conclusion and Next Steps

Addendum has provided additional information, including an indicative Implementation Strategy, which outlines key considerations including:

- ▶ The steps necessary to assist in ensuring accuracy of the payroll system, and the immediate timeframe for delivering them
- ▶ The appropriate steps to ensuring operational efficiency of the payroll system in the short to medium term
- ▶ Other steps that go beyond the 'payroll fix', which may add new functions to the system in the longer term.

The next steps that should be taken by Queensland Health have been provided in the report in the form of the 3 month roadmap. This should be initiated a matter of priority, and in particular:

- ▶ The appointment of a Program Director
- ▶ Development of a Program Management Plan (PMP)
- ▶ Resourcing and budget
- ▶ Confirmation that the existing issues and pain points can be resolved by the system vendors
- ▶ Commercial and service level negotiations with the system vendors

During the development of the PMP Queensland Health should confirm the information contained within this report, and in particular the estimated roadmap for the next 18 months in the form of a detailed implementation plan.

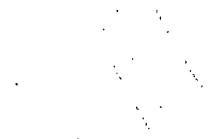
## Key Pain Points Identified by Ernst & Young

In the report we provided key pain points that were identified during our review. These key pain points were then assessed against the realistic options in terms of their ability to effectively address and solve them.

Therefore, in line with the activities occurring in PIP and the suggested Foundation stream activities, it is important to recognise and identify which program will be charged with solving which pain points, and the estimated timeframe to solving these issues.

Provided in the diagram below are the key pain points which were identified by Ernst & Young during our review and which program we believe should own them.

...



...

...

...

## Key themes and associated pain points

Key theme	Associated pain points	Project	Timing
Concurrent assignment	<b>System</b> Concurrent employees can be rostered simultaneously in two roles resulting in double payments	PIP	Up to 6 months
	<b>Process</b> Leave accumulated in primary role is not accessible in secondary role	PIP	Up to 6 months
	<b>People</b> Concurrent employees and their Line Managers are not always aware they have two personal assignment numbers (PAN's) for each of their concurrent roles. This can result with the incorrect PAN being supplied to payroll, the employee being rostered in the incorrect role and can lead to over/ underpayments and rectification by the payroll staff	PIP	Up to 6 months
Leave	<b>System</b> The requirement to sequentially enter and process leave of different types for a single employee is convoluted and time consuming	Foundation	12-18 months
	<b>Process</b> Increments of part day leave are rounded up to the detriment of employees	PIP	Up to 6 months
	<b>System</b> When entering leave Workbrain defaults to the user allowing staff to accidentally book leave for themselves rather than the requested employee	PIP	Up to 6 months
	<b>System</b> When entering a leave request/ change in to Workbrain, it can take anywhere between 2-15mins or on occasion overnight to process. The operator needs to wait for this request to process in order to move on to adding the remainder of the roster or inputting another type of leave	Foundation	12-18 months
System availability	<b>Network</b> Whilst it has been reported that there has been some improvement in performance of SAP and Workbrain, it does still appear to slow down significantly prior to the pay run and crash. This was witnessed in Rockhampton on Friday August 20	Foundation	12-18 months
	<b>Network</b> Workbrain and SAP are regularly inaccessible. Often the system becomes available on Sundays which is irrelevant to payroll staff who work Monday to Friday. Employees are working overtime to try get through the backlog of requests	Foundation	12-18 months
	<b>People</b> System downtimes are not efficiently communicated to staff in a timely manner	PIP	Up to 6 months
Shift patterns	<b>Network</b> Standard shift patterns accommodate 30min meal break only. Employees that are entitled to a 1hr meal break must be amended manually	Foundation	12-18 months
	<b>Process</b> The backlog of shift pattern requests requires the manual plotting of rosters which increase workload	PIP	Up to 6 months
	<b>Process</b> No standardisation of roster entry (an allowance of submitting rosters in any form)	PIP	12-18 months
	<b>System</b> Problems reported with using the MVS (slow to plot changes/ updates, incorrect error messages, data disappearing and reappearing hours later, when using duplicate screens and data is reloaded or published, the second screen reverts to the original unit view)	Foundation	12-18 months
Movements	<b>Process</b> The general process for movements is very time consuming. There are multiple screens you need to address to complete a movement	PIP	12-18 months
	<b>System</b> SAP doesn't always autofill relevant information (e.g. Higher duty position code doesn't autofill, this is entered twice in the movement)	Foundation	12-18 months
	<b>System</b> Data is transferred at 6pm everynight from SAP to Workbrain. If the data is urgent, there is no manual push through or off-cycle interface	Foundation	12-18 months
	<b>System</b> For movements in SAP, sometimes the system defaults to the base band rate for that role and does not pick up the relevant increment (if required). This can result in underpayments if not picked up and amended by payroll staff	Foundation	12-18 months
Management	<b>People</b> Training	ALL	Up to 6 months
	<b>People</b> Effective and efficient communication	ALL	Up to 6 months
	<b>People</b> Consistent and clearly communicated leadership	ALL	Up to 6 months
	<b>People</b> Change management viewed as ad-hoc and reactive	ALL	Up to 6 months
	<b>Process</b> Centralised business model	Foundation	12-18 months

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KPMG Report on Governance of the Payroll Foundation Project



PERFORMANCE AND TECHNOLOGY GOVERNMENT

**Queensland Health  
Payroll Optimisation Program**

**Cabinet-In-Confidence**

**12 November 2010**

ADVISORY

AUDIT • TAX • ADVISORY

## Disclaimers

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### Inherent limitations

This document has been prepared as outlined in KPMG's engagement letter dated 20 October 2010. 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.

Any reference to 'review' throughout this engagement letter has not been used in the context of a review in accordance with assurance and other standards issued by the Australian Auditing and Assurance Standards Board.

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, Queensland Health (QH) management and personnel / stakeholders consulted as part of the process.

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

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

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

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## Advisory Findings

### Guiding Principles

In order to develop the proposed governance and organisational structure for the Payroll Optimisation Program (POP), a set of guiding principles were developed through careful consideration of key learnings, recommendations and standards provided by the following source documents;

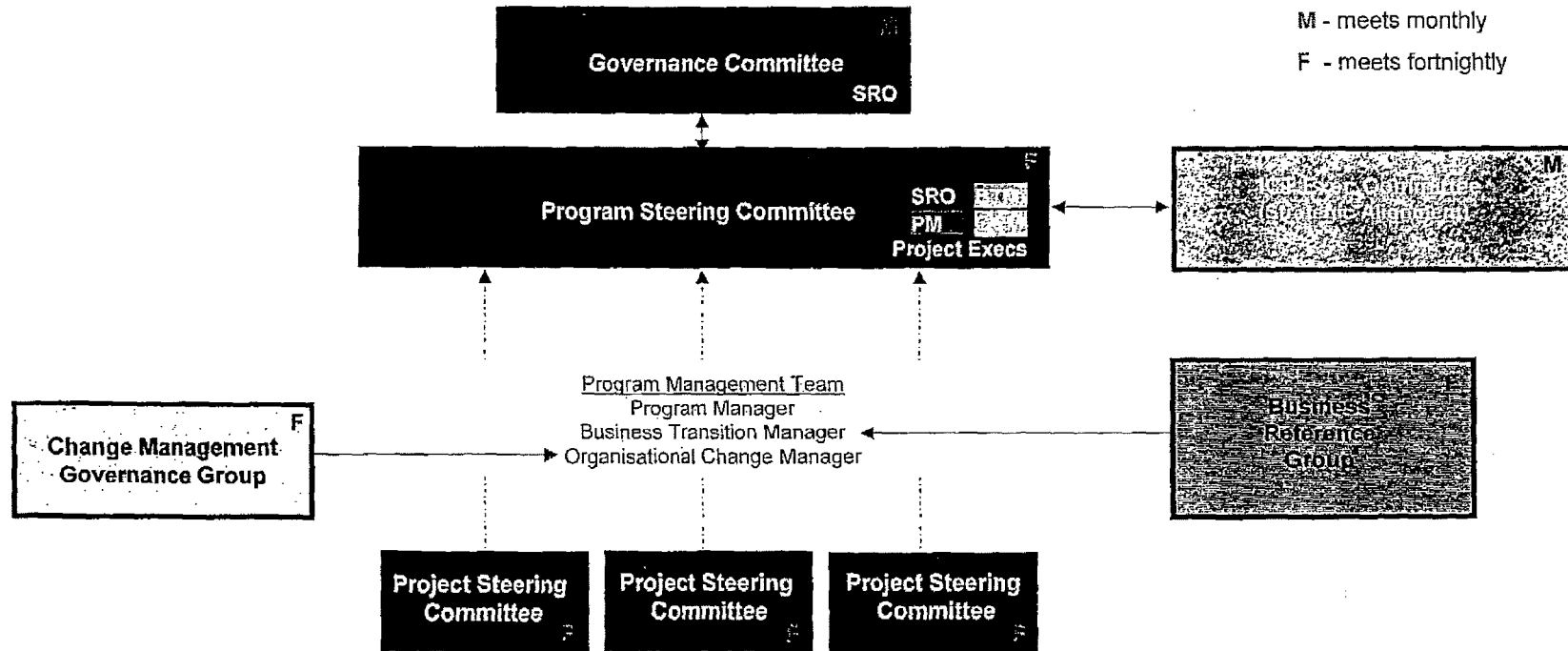
- Auditor-General of Queensland document to Parliament No.7 for 2010: "Information systems governance and control, including the Queensland Health Implementation of Continuity Project"
- E&Y – Review of payroll and rostering solutions – Queensland Health September 2010
- Queensland Health Governance Framework, February 2010
- PWC document: "Queensland Health - Review of Payroll System User Acceptance Testing and Data Migration"
- ICT Project and Program Management Governance Framework ([http://qheps.health.gov.au/project central/html/opmcf.htm](http://qheps.health.gov.au/project%20central/html/opmcf.htm))
- QHEST "QH HR Solutions Operating Model Transition presentation"
- OGC Managing Successful Programs
- OGC Managing Successful Projects with Prince 2

A summary table of key recommendations from the QAO and E&Y reports can be found in Appendix 2

Payroll Optimisation Program governance and organisation structure – Guiding Principles		
	Guiding Principles	Implications (the governance structure needs to)
Business	1. Business driven governance and delivery model	<ul style="list-style-type: none"> <li>• Support strong business involvement in developing requirements, driving and implementing change</li> <li>• Provide a bridge between the program and business operations (proposal is to include a Business Transition Manager - needs to be a senior and respected individual from within business operations).</li> <li>• Ensure that operational stability is maintained through consultation with a Business Reference Group</li> </ul>
Alignment to QH approach	2. Alignment to the QHID approach to governing clinical projects	<ul style="list-style-type: none"> <li>• Align with the current QH approaches to governing clinical projects where possible in order to adopt a consistent approach and build on existing organisational knowledge and capabilities</li> </ul>
Links to broader governance structures	3. Links to broader governance structures within Queensland Health (QAO, ICT Committee, BAG, TAG)	<ul style="list-style-type: none"> <li>• Maintain clear links to existing QH governance structures:               <ul style="list-style-type: none"> <li>- ICT committee plays a core role in ensuring strategic alignment across QH</li> <li>- Ensure visibility at EMT level</li> <li>- Ensure executive advisory at the strategic, tactical and technical levels</li> </ul> </li> </ul>
DG accountability	4. DG accountability for the Program	<ul style="list-style-type: none"> <li>• Promote strong leadership from the most senior level to drive successful implementation of the program</li> <li>• DG involvement to be visible across the organisation</li> </ul>
Change management	5. Specific focus given to supporting effective change management within the program	<ul style="list-style-type: none"> <li>• Provide solid change management and stakeholder engagement planning and execution supported by               <ul style="list-style-type: none"> <li>- An Organisational Change Manager who has experience in program level change management</li> <li>- A team of Change Managers operating in a matrix structure across projects who understand the business</li> </ul> </li> </ul>
Best practice methodology	6. Governance based on MSP and Prince2 models	<ul style="list-style-type: none"> <li>• Follow best practice methodologies such as OGC, MSP and Prince2 methods, tailored for QH needs</li> <li>• Provide clarity in roles, responsibilities and accountabilities at both governance and organisational levels</li> </ul>



# Proposed Governance Structure for Queensland Health Payroll Optimisation Program



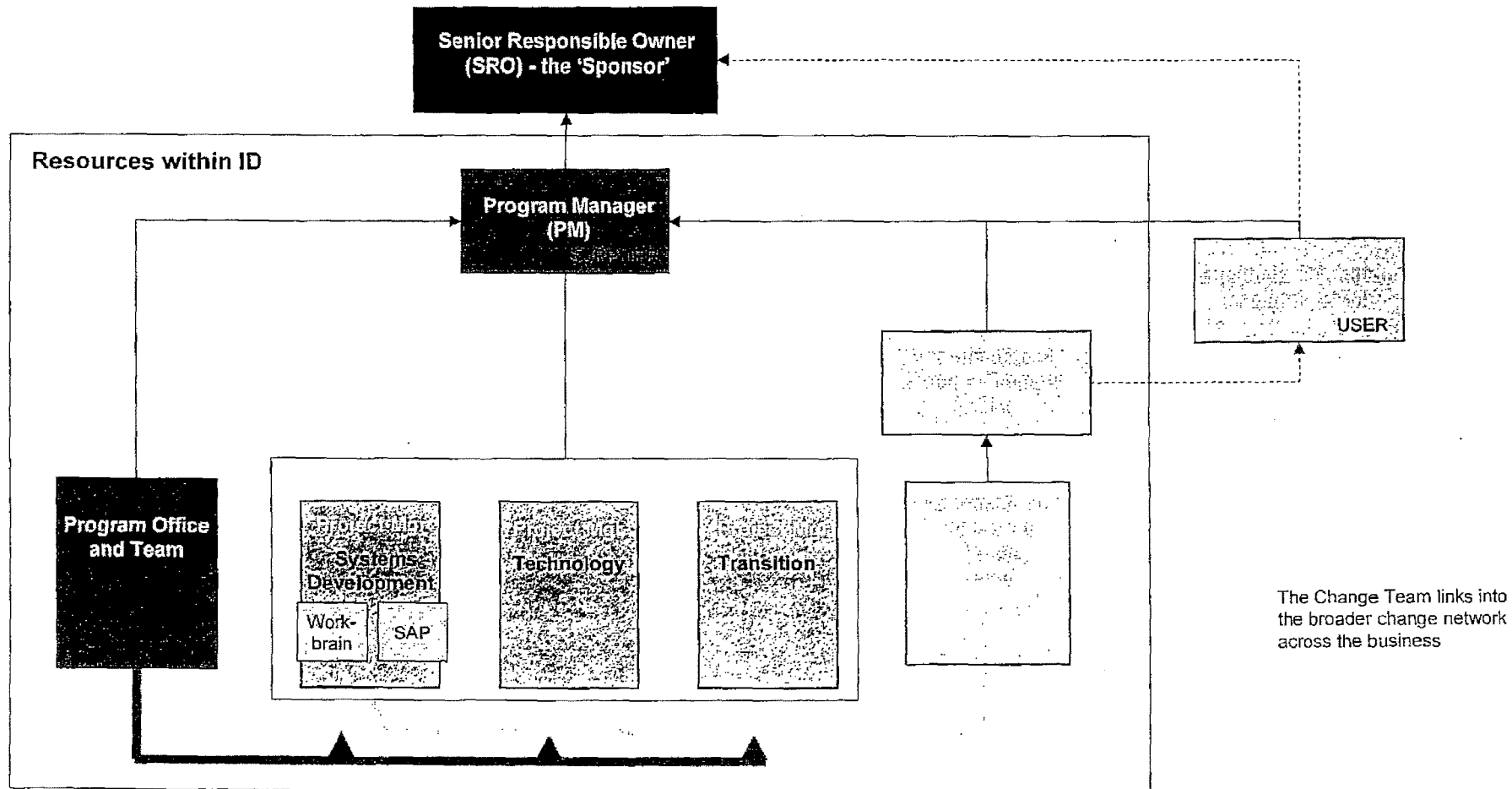
**Note on the POMIBAG, BAG, TAG and Production Control Board (PCB):** The advisory groups are not required in their current form for the proposed governance for the Payroll Optimisation Program (POP). Any technical advisory required should be conducted at the project level. The Business Reference Group will have elements of the roles previously undertaken by the POMIBAG and BAG that are pertinent to the success of the POP. In their current forms, the groups are not included in the proposed governance structure for the POP.

## Advisory Findings

### Governance roles/responsibilities

<p><b>Governance Committee</b></p>	<p>"The Governance Committee (MSP 'Sponsoring Group') represents those senior executives who are responsible for, the investment decision, defining the direction of the business [and] ensuring the ongoing overall alignment of the program to the strategic direction of the organisation." [2007, Managing Successful Programs, p29]</p>	<ul style="list-style-type: none"> <li>• Confirm and monitor strategic alignment from a whole-of-government perspective</li> <li>• Benefits realisation focused</li> <li>• Approve funding and observe risks</li> <li>• Resolve strategic and directional issues</li> <li>• Endorses the SRO and champions the program</li> </ul>	<ul style="list-style-type: none"> <li>• DG as chair</li> <li>• SRO attends</li> <li>• QAO attends as observer</li> <li>• Endorses recommendations</li> </ul> <p>For full suggested list of attendees, see Appendix 1</p>
<p><b>ICTE Committee</b></p>	<p>ICT Exec Committee consists of the EMT with responsibility for oversight of the program and ensuring program alignment with QH objectives</p>	<ul style="list-style-type: none"> <li>• Confirm and monitor strategic alignment across QH</li> <li>• Determine ICT investment priorities and resources</li> <li>• Endorse ICT strategies and plans</li> <li>• Monitor risks</li> </ul>	<ul style="list-style-type: none"> <li>• CIO chairs</li> <li>• Commitment from EMT</li> <li>• SRO should attend</li> </ul>
<p><b>Program Steering Committee</b></p>	<p>"... the prime purpose of the Program Steering Committee (MSP 'Program Board') is to drive the program forward and deliver the outcomes and benefits... Members must take the lead in supporting the authority and control of the SRO over the program as a whole..." [2007, Managing Successful Programs, p30]</p>	<ul style="list-style-type: none"> <li>• Agree Scope and deliver within parameters</li> <li>• Define risk profile</li> <li>• Resolve issues between projects</li> <li>• Manage benefits</li> <li>• Ensure operational stability is maintained</li> <li>• Quality assurance planning/implementation</li> </ul>	<ul style="list-style-type: none"> <li>• SRO as chair</li> <li>• PM, BTM and OCM attend</li> <li>• Project Execs attend</li> <li>• Corp function reps attend</li> <li>• Internal Audit observes</li> </ul> <p>For more info, see Appendix 1</p>
<p><b>Project (s) Steering Committee</b></p>	<p>"The Project Steering Committee (MSP 'Project Board') is accountable for the success of the project and has responsibility and authority for the project within the instructions (initially contained in the Project Mandate) set by corporate or program management" "[it] is the project's 'voice' to the outside world..." [2005, Managing Successful Projects with Prince 2 – p208/9]</p>	<ul style="list-style-type: none"> <li>• Responsibility for delivering the project</li> <li>• Approve all major plans and any deviations</li> <li>• Ensure commitment of required resources</li> <li>• Appoint the Project Manager</li> <li>• Ensure delivery to quality standards defined in the Business Case</li> </ul>	<ul style="list-style-type: none"> <li>• Consists of 3 roles:             <ul style="list-style-type: none"> <li>- Project Executive</li> <li>- Senior Supplier</li> <li>- Senior User</li> </ul> </li> </ul>
<p><b>Business Reference Group</b></p>	<p>The Business Reference Group is a group of senior stakeholders from business units throughout the organisation tasked with representing business interests to the program and vice versa. It focuses on program benefits, direction and business impacts and in maintaining organisational stability through change.</p>	<ul style="list-style-type: none"> <li>• Represent business interests to the program</li> <li>• Champion the program within the business whilst collecting constructive feedback</li> <li>• Support the program to implement and embed change whilst monitoring operational stability</li> </ul>	<ul style="list-style-type: none"> <li>• Chaired by the BTM</li> <li>• Made up of senior, well-respected operational staff</li> <li>• OCM and PM can attend meetings to share information</li> </ul>
<p><b>Change Management Governance Group</b></p>	<p>The Change Management Governance Group is a group of stakeholders with strong knowledge and understanding of change management processes and procedures within QH that are able to guide the development of appropriate strategies and plans as well as support implementation and embedding of changes.</p>	<ul style="list-style-type: none"> <li>• Provide specific guidance in developing appropriate change management strategies and plans for the program within the QH context</li> <li>• Support the OCM to implement and embed change effectively across the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Chaired by the OCM</li> <li>• Members should have specific expertise in change management areas (e.g. HR, IR, Communications etc)</li> </ul>

# Proposed Management Structure for Queensland Health Payroll Optimisation Program



**Note on titles:** In QH the role of Program Manager (MSP term) is often named a Program Director. If the Program Manager is given the title of Program Director, care must be taken to ensure that the role of the Business Transition Manager (and potentially also the OCM) is elevated to a similar peer level of authority. In some instances, the Business Transition Manager may be senior to the Program Manager. Role names used include: "Business Change Authority" or "Business Transformation Manager/Director".

## Management roles/responsibilities

<p><b>Senior Responsible Owner (SRO) - the 'Sponsor'</b></p>	<p>"The Senior Responsible Owner (SRO) is ultimately accountable for the program, ensuring that it meets its objectives and realises the expected benefits. The individual who fulfils this role should be able to lead the program steering committee with energy and drive, and must be empowered to direct the program and take decisions"</p> <p>[2007, Managing Successful Programs, p29]</p>	<ul style="list-style-type: none"> <li>• Own the program vision (as defined by the governance committee) and business case</li> <li>• Lead the program</li> <li>• Secure the investment required</li> <li>• Manage key strategic risks for the program</li> <li>• Accountable for governance arrangements and independent assurance</li> </ul>	<ul style="list-style-type: none"> <li>• Chairs the Program Steering Committee (DDG HR?)</li> <li>• Seniority - responsibilities and accountabilities of the role</li> <li>• SRO should have personal accountability for the program's outcome (KPIs)</li> </ul>
<p><b>Program Manager (PM)</b></p>	<p>"The Program Manager is responsible for leading and managing the setting up of the program through to delivery of the new capabilities and realisation of benefits."</p> <p>[2007, Managing Successful Programs, p31]</p>	<ul style="list-style-type: none"> <li>• Day-to-day management of the program</li> <li>• Plan and design the program</li> <li>• Define the governance framework</li> <li>• Effective coordination of projects and interdependencies and solution architecture</li> <li>• Manage budget and resources</li> <li>• Document on program progress to the SRO</li> </ul>	<ul style="list-style-type: none"> <li>• PM needs to be able to work positively with the full range of individuals and groups involved in the program</li> <li>• Business outcome focused</li> <li>• Could come from QHID to follow existing methodology (refer to point above)</li> </ul>
<p><b>USER</b></p>	<p>The Business Transition Manager (BTM) is accountable for managing the relationship of the program with the business. The BTM works closely with a business reference group to monitor business requirements, seek advice relating to how best to roll out and embed changes, define and measure benefits and maintain organisational stability throughout the process. The BTM provides a 'bridge' between the program and the organisation's business operations.</p>	<ul style="list-style-type: none"> <li>• Ensure that business requirements are met</li> <li>• Define and monitor benefits (working with projects and the business)</li> <li>• Document business capacity for change</li> <li>• Facilitate embedding of the change into impacted operational areas</li> </ul>	<ul style="list-style-type: none"> <li>• The Business Transition Manager should have deep knowledge of the organisation and strong confidence and credibility. Often a senior role.</li> <li>• The BTM may have a team</li> </ul>
<p><b>OCM</b></p>	<p>The Organisational Change Manager is accountable for developing and managing the program change strategy and plan. This includes overall coordination of the communications and stakeholder engagement plan. The role may also include co-ordinating business impact assessments (supported by the BTM/project managers).</p>	<ul style="list-style-type: none"> <li>• Develop the change management strategy and plan, and monitor implementation</li> <li>• Create the stakeholder engagement plan</li> <li>• Maintain the program communications plan</li> <li>• Coach the change management team in using QH change tools/methodologies</li> </ul>	<ul style="list-style-type: none"> <li>• OCM needs program change management experience</li> <li>• Needs a strong relationship with the BTM and the PM</li> <li>• Often needs a separate communications manager</li> </ul>

**Comment on the split of roles between the BTM and OCM:** MSP suggests that the program management team should comprise 3 core roles: the Senior Responsible Owner, Program Manager and Business Change Manager. Why do we suggest splitting the Business Change Manager into 2 roles? We suggest this for 3 reasons:

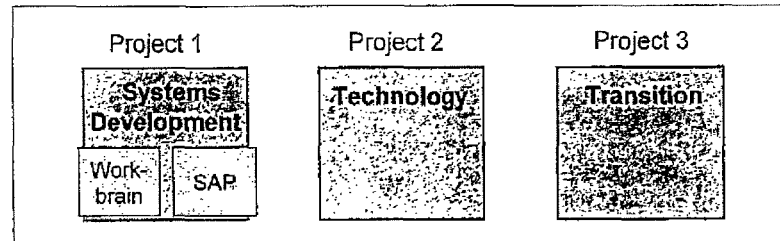
1. QH has specifically noted the needs (a) to have strong business involvement and (b) to have a strong change management function. By giving accountability for each of these elements to two separate roles, it supports more effective functioning of these two core requirements.
2. The Payroll Optimisation Program is a big program. One individual is unlikely to be able to fulfil all tasks suggested in the MSP role.
3. Experience suggests that MSP is a little over-ambitious in presuming that a 'Business Change Manager' who it suggests should 'come from a senior operational business role' will be able to fulfil the role of an organisational change manager without prior experience or qualifications in this specific area.

## Team roles/responsibilities

<p><b>Program Office</b></p>	<p>"The scope of roles for the Program Office will vary depending on the size and capabilities of the organisation. For example, with the appropriate expertise, the Program Office may be a centre of excellence for all programs and projects within an organisation, providing specialist expertise and facilitation across the program and its projects."</p> <p>"The Program Office can provide some aspects of assurance for the program, provided that it is independent from the program."</p> <p>"The core function of the Program Office is to provide an information hub for the program."</p> <p>[2007, Managing Successful Programs, p228-229]</p>	<ul style="list-style-type: none"> <li>• Track and document progress against plans</li> <li>• Manage information by holding up-to-date master copies of all program information</li> <li>• Financial accounting - assist PM with budget control and documenting</li> <li>• Track risks and issues</li> <li>• Analyse interfaces and critical dependencies</li> <li>• Maintain a list of stakeholders and interests</li> <li>• Establish processes for quality control</li> <li>• Monitor and document change control</li> <li>• Provide services to projects throughout the lifecycle of the program to ensure a common approach is taken</li> </ul>	<ul style="list-style-type: none"> <li>• For QH, the Program Office will need to be a centre of excellence that provides specialist expertise to projects in the forms of:             <ul style="list-style-type: none"> <li>- Business Analysts</li> <li>- Functional Analysts</li> <li>- Testing Leads</li> <li>- HR/Recruitment Leads</li> <li>- Solution Assurance</li> </ul> </li> <li>• The program office should co-ordinate the overall assurance plan but the Program Steering Committee should provide the content of this plan.</li> <li>• Utilise QHID governance structure</li> </ul>
<p><b>Change Team</b></p>	<p>"A Change Team can be formed to help one or more of the Business Change Managers [in the proposed governance structure these would be the Organisational Change Manager and the Business Transition Manager] take the stakeholders in their operational areas through a change cycle. Such a team considers the interests of those parts of the organisation to be changed, and will ensure those parts are thoroughly prepared for the transition. Its focus is on helping the operational unit transition as smoothly as possible."</p> <p>[2007, Managing Successful Programs, p34]</p>	<ul style="list-style-type: none"> <li>• Support the OCM to implement change effectively following the established strategy and plan</li> <li>• Use the established change tools and methodologies to plan and execute change</li> <li>• Liaise with managers in business areas to ensure that they are aware of relevant issues and respond to feedback from staff</li> <li>• Participate in the development and delivery of communications</li> <li>• Participate in the development and delivery of training (including needs analysis)</li> <li>• Assist with assessment of changes to business processes and development of new work practices</li> <li>• Provide input and review of business process and impact documents</li> <li>• Assist with the coordination and facilitation of project change activities</li> </ul>	<ul style="list-style-type: none"> <li>• For QH, the Change Team will need to be a centre of excellence that provides specialist expertise to the program and projects in the forms of:             <ul style="list-style-type: none"> <li>- Change Managers</li> <li>- Business Transition Analysts</li> <li>- Training Developers</li> <li>- Communications Manager(s)</li> <li>- IR specialists</li> </ul> </li> <li>• Team members will require prior change management experience, good operational knowledge and experience and the influence and authority to embed change</li> <li>• Utilise existing change management methodology (part of Centre of Excellence?)</li> </ul>

# Advisory Findings

## Projects



Project 1		Project 2	Project 3
SYSTEMS DEVELOPMENT		TECHNOLOGY	TRANSITION TO BAU
WORKBRAIN (Rostering)	SAP (Payroll & HR)		
<ul style="list-style-type: none"> <li>• Hub processes, rules and configuration</li> <li>• Stakeholder engagement</li> <li>• UAT testing</li> <li>• Business process analysis</li> <li>• Functional SMEs</li> <li>• Defect management</li> <li>• Project lifecycle implementation</li> <li>• Solution assurance</li> </ul>	<ul style="list-style-type: none"> <li>• E Business rules and configuration</li> <li>• Stakeholder engagement</li> <li>• UAT testing</li> <li>• Business process analysis</li> <li>• Functional SMEs</li> <li>• Defect management</li> <li>• Project lifecycle implementation</li> <li>• Solution assurance</li> </ul>	<p><b>Data</b></p> <ul style="list-style-type: none"> <li>• Data Analysis</li> <li>• Data cleansing and migration</li> <li>• Data (validation) reconciliation</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>• Infrastructure deployment</li> <li>• Production Processing environments</li> <li>• CorpTech transition</li> </ul> <p><b>Architecture</b></p> <ul style="list-style-type: none"> <li>• Solution architecture</li> <li>• System recovery solutions</li> <li>• Linkage to Enterprise Architecture (EA)</li> <li>• SOA deployment</li> </ul>	<ul style="list-style-type: none"> <li>• Integration</li> <li>• Production support</li> <li>• Business continuity planning</li> <li>• Partnering:               <ul style="list-style-type: none"> <li>- Vendor contract arrangements</li> <li>- KPI and delivery</li> </ul> </li> <li>- Full service management</li> <li>• Document development</li> <li>• Release management</li> </ul>

Note: The interdependencies and integration within the projects are managed by the Program Manager and by the Project Managers.

## Driving effective governance

Recommendations to drive effective program governance	
Recommendations	Comments
1. Inductions for all staff involved in program governance	<ul style="list-style-type: none"> <li>Requires a governance induction kit to be developed for different roles</li> <li>Induction and 'on-board' training to be provided for all staff involved in program governance – i.e. members of all committees</li> <li>Coaching offered to staff involved in program governance as required (e.g. business team members)</li> <li>It is vital that during recruitment of governance executives, there is a clear understanding of the implications of their roles, responsibilities and accountabilities within the governance structure</li> </ul>
2. Regularly review mechanisms of governance groups	<ul style="list-style-type: none"> <li>In conjunction with QAO, Internal Audit and the Program Committees, a calendar of governance reviews should be developed</li> <li>The appropriate mix and regularity of internal and external review should be identified</li> <li>Plans and dates of reviews should be included in the Quality Management Plan</li> <li>Consider adopting OGC Gateway Reviews</li> </ul>
3. Embed program KPIs into performance contracts	<ul style="list-style-type: none"> <li>Steering committee members should have performance measures relating to program success (specific program KPIs) in their performance contracts</li> <li>When joining a committee, individual performance contracts should be updated to include specific program KPIs</li> </ul>
4. Gating process (with supporting critical success factors)	<ul style="list-style-type: none"> <li>In order to implement in a controlled, staged manner, follow a gating process for the program, using tranches to deliver waves of work</li> <li>Ensure that key critical success factors for each tranche and/or gate are agreed and signed off at steering committee levels</li> </ul>
5. Regular review of stakeholder engagement	<ul style="list-style-type: none"> <li>Measure the success of stakeholder engagement activities on a regular basis</li> <li>Measure progress against a defined set of criteria (for example, these could be based on JP Kotter's 8 steps to successful change*: Establishing a sense of urgency, Creating the Guiding Coalition, Developing a Vision and Strategy, Communicating the Change Vision, Empowering Employees for Broad-Based Action, Generating Short-Term Wins, Consolidating Gains and Producing More Change, Anchoring New Approaches in the Culture)</li> </ul> <p>(*Kotter, J. P 1996, <i>Leading Change</i>)</p>

## Key questions for consideration

### Key questions to consider when evaluating the proposed governance structure

<p>1. How do we involve users meaningfully at all relevant stages in the process – definition, design, testing and implementation?</p>	<ul style="list-style-type: none"> <li>• The Program Steering Committee and the Business Reference Group provide input at an Executive level</li> <li>• The project team and change team work to identify stakeholders and develop specific engagement plans (including communications plans) at project level</li> <li>• The Business Transition Manager, supported by the Business Reference Group and Project Managers, has accountability for monitoring and providing advice relating to appropriate user involvement</li> <li>• The Organisational Change Manager has responsibility for monitoring any issues relating to appropriate stakeholder engagement throughout the process</li> </ul>
<p>2. How do we ensure that the project has visibility with the QH EMT so that they can monitor progress, assess risks and maintain active involvement in the program?</p>	<ul style="list-style-type: none"> <li>• Individuals from the EMT represented throughout the program</li> <li>• Active involvement of the ICT Executive Committee to ensure strategic alignment and identify interdependencies across QH</li> <li>• DG involvement as chair of the Governance Committee</li> <li>• Executive contracts include program CSFs and KPIs</li> </ul>
<p>3. How do we ensure that there is strong business involvement in the program so that the business can provide regular input as well as guide program output?</p>	<ul style="list-style-type: none"> <li>• The Business Transition Manager provides a senior voice from the business within the core of the program team</li> <li>• The Business Reference Group is the bridge between the program and the business, providing regular feedback from the business and guiding program implementation decisions to achieve a successful roll out across the organisation</li> <li>• Healthy involvement of line manager and individual staff members with change team support</li> <li>• Business involvement in program management</li> </ul>
<p>4. What sort of independent assurance will be undertaken?</p>	<ul style="list-style-type: none"> <li>• Quality function within the program office</li> <li>• Defined Quality Management Plan with accountability for quality management held at SRO level</li> <li>• QOA as observer at Governance Committee level and Internal Audit representation at Program Steering Committee level</li> <li>• Potential to include the OGC Gateway Review process</li> </ul>
<p>5. How do we ensure clarity of accountabilities, roles and responsibilities within the program governance structure?</p>	<ul style="list-style-type: none"> <li>• Theoretical basis of MSP accountabilities and responsibilities adapted to function in the QH context</li> <li>• Inductions, 'on-boarding' and executive coaching for all staff recruited to governance positions with updated KPIs in performance contracts</li> <li>• Charters for each governance group</li> </ul>



## Appendix 1 – Committee Members

### Governance Committee

Representatives of Governance Functions	
Chair	DG QH
	DG DPW
	Associate DG DPW (CorpTech)
	QH CIO
	DDG FLP
	DCEO
Representative from the Program Team	
SRO	DDG HR Services
Observers	
Observer	QAO
Observer	Internal Audit

### Program Steering Committee

Representatives from the Program Team	
SRO (Chair)	DDG HR Services
PM	
Representatives of Governance Functions	
Finance	DDG FLP
Systems (User)	Dir Payroll
Systems (User)	DCEO x3
Systems (Supplier)	ED SSP
Systems (Supplier)	CIO
HR/ Operations	ED HR
Resource Manager	T Shepherd
Observers	
Project Execs x3	
Audit	Internal Audit
Secretary	PMO

### Project Steering Committees x 3

	Project 1	Project 2	Project 3
Project Executive			
Senior User(s)			
Senior Supplier(s)			

## Appendix 1 – Business Reference Group and Change Management Governance Group Members

**Business Reference Group**

Representatives from the program team	
NAME	
CV/M	
PM	
Representatives from the business	
Observers	

**Change Management Governance Group**

Representatives from the program team	
NAME	
CV/M	
PM (optional)	
Representatives from the business	
Observers	

