KPMG

Queensland Health

Review of the Queensland Health Payroll System

31 May 2012
This report contains 45 pages
QH Payroll Review Report 31 May 2012

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1 Queensland Health Payroll Overview

Background

Queensland Health (QH) went live with a new payroll system, comprising two interfacing systems Workbrain and SAP, on 8 March 2010 and since then have experienced significant and ongoing challenges with the system.

Complex operating environment

The QH payroll operating environment is uniquely complex in that:

- QH employs approximately **85,000 staff** across a range of professional occupations, many of whom work a **24-hour, seven day a week roster**.
- Staff are employed under **two different Acts,** are covered by **12 different industrial awards** and are **impacted by 6 different industrial agreements**, creating over **200 allowances** and up to **24,000 different combinations of pay**.
- The payroll system has been significantly modified to support this complexity with over **2,500 customisations** to the system and over **130 manual workarounds**.
- **1,010 payroll staff** are required to perform over **200,000 manual processes** on an average of **92,000 forms** to **deliver** approximately **$250m (gross) in salaries** to QH's 85,000 staff each fortnight.

Payroll issues and solutions

At present there are **nine high priority issues** and a number of **other issues impacting** on QH's **ability to deliver accurate pay outcomes each fortnight**. QH has put significant effort into resolving these issues and has developed a plan to address the highest priorities with **six key projects**.

One of these projects is focussed on **analysing the future payroll solution options** and includes a targeted approach to the external market to understand the range of system solutions and payroll operating models that may be available.

Payroll system costs

It is envisaged that the **total cost of the QH payroll system** will be **$1,253.5m between FY10 and FY17** of which **$416.6m will have been incurred to the end of FY12** and a **further $836.9m forecast to be spent from FY13 to the end of FY17**.

Of the total costs of $1,253.5m:

- **$1,008.0m relates to payroll operations** that has and will continue to ensure that QH staff are paid on a fortnightly basis, and
- **$245.5m relates to fixing the key issues** and undertaking a systems analysis to determine the longer term solution for the payroll system.

It must be noted that **the $1,253.5m excludes any costs associated with the reimplementation or upgrade of the system**, **any contingencies** associated with the implementation of system solutions, and **additional FBT costs** that may arise from waiving overpayments rather than recovering them.

Recommendation

QH need to implement the projects that deliver payroll outcome improvements, while concurrently using a targeted approach to engage the external market to determine the best solution that accounts for the future environment.

2 Executive Summary

QH has experienced significant and ongoing challenges with its payroll system since implementation in March 2010. In light of this, the incoming Liberal National Party Government outlined a key commitment in the Premier's First 100 Day Action Plan for Queensland[1] to start an '*Audit of the Queensland Health Payroll to determine current errors and faults'*. As such, KPMG has been engaged to review the current status, proposed solutions, strategies, programs of work and governance frameworks in place for the QH payroll system.

The current review has been undertaken through interviews with relevant stakeholders and analysis of key secondary source documents relating to historical and current issues, proposed solutions and actions associated with the QH payroll system.

The details of KPMG's findings are provided in this report which outlines: the scope of the review; the history and broader context of the QH payroll system; general themes or observations; specific findings against the key issues identified to date and the solutions that have been proposed by QH to address these key issues; analysis of QH's indicative future costing for its payroll operations and improvement projects; and analysis of portfolio governance.

2.1 Summary Findings

As a result of document reviews and interviews, KPMG have identified a number of summary findings to be highlighted as part of this Executive Summary. Specifically:

- The **QH payroll operating environment and broader context is uniquely complex.** QH employs approximately 85,000 staff across a range of professional occupations, many of whom work a 24-hour, seven-day-a-week roster. Key features of the current industrial environment for QH are that employees are employed under two different Acts, are covered by 12 different industrial awards and are impacted by six different industrial agreements with over 200 separate allowances in operation across these awards and agreements. This complexity is estimated to result in over 24,000 different pay combinations each fortnight. In previous reviews conducted by Ernst & Young[2], it was recognised that the QH rostering and payroll system is unique, when comparing major payroll systems both in Australia and internationally.
- There is a **lengthy and convoluted history** behind the current QH payroll system which pre-dates the implementation of the solution in March 2010. An appreciation of the history of key decisions made, improvement initiatives undertaken and the evolution of the implementation project is important context for informing decision-making on future actions and associated future investments for the QH payroll system. In addition, it is recognised by key stakeholders that a number of contributing factors led to the significant challenges experienced with operating the new payroll system following 'go live' in March 2010. These factors are documented in a range of QH reviews and external reviews[3] and include:

[1] Source: http://www.thepremier.qld.gov.au/assets/100-day-action-plan.pdf
[2] Source: Ernst & Young, Review of Payroll and Rostering Solutions, September 2010
[3] Source: Various QH Internal Reports on Payroll, March 2010- May 2012; Ernst & Young; KPMG; Queensland Audit Office Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project.

- **The 'go-live' of the new payroll system was problematic and resulted in significant issues that have taken some time to address:** When implemented on 8 March 2010, the new payroll system had not undergone a full parallel pay run comparison, the technical infrastructure had failed, there were major system performance issues and a backlog of approximately 20,000 payroll related forms that had not been processed. This was exacerbated by the lack of familiarity of QH staff with new payroll processes and a lack of visibility of bottlenecks in the payroll process when being performed. The extent of the potential impact on the effective operation of the payroll system had not been fully understood prior to 'go-live' and the ongoing legacy of these issues neither predicted nor planned for;
- **Centralisation of payroll processing prior to the implementation of the new system**: The payroll operating model implemented in line with the new payroll system centralised payroll processing, thus severing the linkage between the Districts and their local payroll providers (hubs). This meant that payroll officers were to be responsible for interpreting pay information without the benefit of local knowledge of the Districts and relationships with District staff that have previously assisted with the interpretation process;
- **The complexity of the award conditions and associated pay combinations**: This has led to the need for **significant customisation** of the awards interpretation engine (Workbrain) and the payroll system (SAP). These customisations introduced considerable complexity into the administration of the payroll system itself which have impacted on its performance. Regardless of the design of the QH payroll system, the current complexity of the industrial environment for QH will continue to have the potential to impact on payroll performance into the future. Simplification of the current awards structure would require a Whole of Government approach. An assessment of the feasibility of this is beyond the scope of the current review;
- **There are some fundamental features of the current QH payroll cycle which negatively impact on pay accuracy and, correspondingly, payroll performance:** These features include existing practices which allow QH staff to lodge claims for payment over a retrospective time period of up to six years and the current timing of the pay date. The timing of the pay date essentially requires line managers to estimate likely hours to be worked by staff for the final two days of any given pay period. This approach invariably leads to discrepancies between actual hours worked and pay entitlements and has led to significant challenges in managing overpayments to staff. Currently, approximately 3,400 staff receive overpayments each pay period. The total dollar value of these overpayments is approximately $1.7 million per pay period and has been accruing at that rate since 2010. Overpayments also incur Fringe Benefits Tax liabilities for QH, the magnitude of which is proportionate to the amount of overpayments outstanding across QH;
- **The business processes designed to deliver the payroll each fortnight are highly manual[4]:** The business processes involve approximately 130 manual system 'work-arounds', double handling of pay forms, retrospective payments, ad hoc payments and other associated adjustments. QH estimate that approximately 200,000 manual processes are required to process on average 92,000 forms within the payroll hubs every fortnight.

[4] Source: QH internal reporting documentation on payroll, sourced May 2012

Approximately 500 additional payroll staff (beyond that required under the previous payroll system) have been required to complete these processes each fortnight.

2.2 Key Issues

Since the issues experienced following the initial 'go-live' of QH Payroll in March 2010, there has been a significant program of work and resources dedicated across QH and Queensland Shared Services (QSS) to firstly stabilise the current system and, more recently, to improve the performance of the existing system.

The current status of the QH payroll system is that there remains a number of key issues to be addressed. Namely:

1 **Historical payroll forms submission:** the current degree of retrospectivity accommodated by the QH payroll system whereby staff can submit forms for work completed up to six years ago is creating significant payroll system performance issues.

2 **The relationship between the Districts and Payroll hubs:** there are significant opportunities to strengthen the link between payroll staff and their 'customers' in the Districts and restore the relationship model where payroll teams typically were 'closer' to their customers and had a strong working knowledge of the specific Districts and health services they supported.

3 **Time between roster close and pay date:** as outlined above, the QH pay run currently commences before roster close. There is a need to expedite decision making around moving the current pay date to allow for the pay run to be based on actual hours worked rather than forecast hours worked. Changing the pay date would improve the accuracy of employee pay by allowing more time to process roster changes and therefore reducing the number of underpayments, overpayments or adjustments required.

4 **Payroll processing accountabilities of QH and QSS:** Following the PwC shared services report in 2010[5], QH and QSS are progressing plans to technically separate the QH payroll system from the Whole of Government environment. After technical separation and transition, QH will be accountable for the transaction processing, data, operation and support of the technology system (on the basis that the functions currently performed by QSS would be transitioned across to QH). There are clear benefits to establishing a separate technical platform for QH given the scale and complexity of the QH payroll system. However, it will be important to effectively manage the timing and people impact of any potential transition of QSS personnel across to QH. We understand that any potential transition of QSS across to QH is considered a medium term opportunity and that the immediate focus is on technical separation.

5 **Overpayments and Entitlements:** As at May 2012 QH had overpaid staff $112.3m, of which $16.5m has been repaid and $3.3m waived, leaving $91m outstanding. QH has an obligation under the Financial Accountability Act 2009 to recover these amounts; however there is currently a moratorium in place preventing QH from implementing QH-instigated overpayment recovery. QH has been required to fund FBT liabilities associated with overpayments and this represents a significant additional cost burden to

[5] Source: PwC Shared Services Review, September 2010

QH. While the previously agreed overpayment moratorium is in place, the amount increases by approximately $1.7m per fortnight. A key strategy to reduce future overpayments relates to moving the pay date as this will significantly improve the accuracy of data provided to payroll. In addition to overpayments, the issue of employee leave and balances requires further investigation and analysis. PwC has conducted a number of reviews into Leave balances and they have identified that up to 20,000 leave transactions are still outstanding since the move from the previous Lattice Payroll system across to SAP.[6] Whilst these outstanding leave balances require attention and rectification, it is understood that it will take some time for QH to undertake the necessary work to resolve the current leave balances issues.

6 **Electronic rostering for line managers:** There is no whole-of-department approved electronic rostering system for line managers. Currently, rosters and subsequent changes are created manually. Rosters are currently the primary input into the payroll system – as such, the accuracy and timeliness of roster development and submission has a critical impact on payroll performance (accuracy, timeliness, etc.). It will be important for a thorough assessment of the electronic rostering solution options be conducted before proceeding with a preferred option.

7 **Payroll system fixes:** As of 2 May 2012, there are 570 logged system issues, 76 of which are identified as having the potential to impact on staff pay. System defect fixes and enhancements are required to occur during designated 'major release' schedules, of which there are three scheduled per annum. There have been some delays in addressing specific defects and issues due to the prioritisation of other 'fixes' including the pay date change, changes associated with enterprise bargaining changes, legislative compliance changes etc. There is a need to gain endorsement for an agreed longer-term approach to implementing key system changes so that the release windows can be utilised more effectively.

8 **Upgrading and / or reimplementation of the payroll and awards interpretation systems:** The currently implemented Workbrain (1,029 customisations) and SAP (1,507 customisations) systems have been heavily customised and are not operating optimally in the QH environment. Customisations are costly to manage, increase risk and impact on system performance and should be minimised where practical. In addition, QH has identified that support for the current Workbrain and SAP systems will expire in November 2014 and June 2015, respectively. As such, there will be a requirement for further investment in either a system upgrade or a system reimplementation before 2014. KPMG note that QH has allocated $25m to complete a 'systems analysis' project which was to be focused on assessing and planning for an upgrade of SAP and the award interpretation engine. Part of this project will consider options for moving some or all standard SAP functionality that is currently in Workbrain into SAP. As part of this process it would be prudent for QH to make a targeted approach to the external market to understand the range of system solutions and payroll operating models that may be available. Such a 'request for information' process could be included in the $25m currently set aside for the upgrade planning project.

[6] Source: PwC Leave Balances Review Phase 1, March 2011.

9 **Payroll project funding:** There has been considerable analysis done to quantify the costs associated with the operation and improvement of the QH payroll system since March 2010.

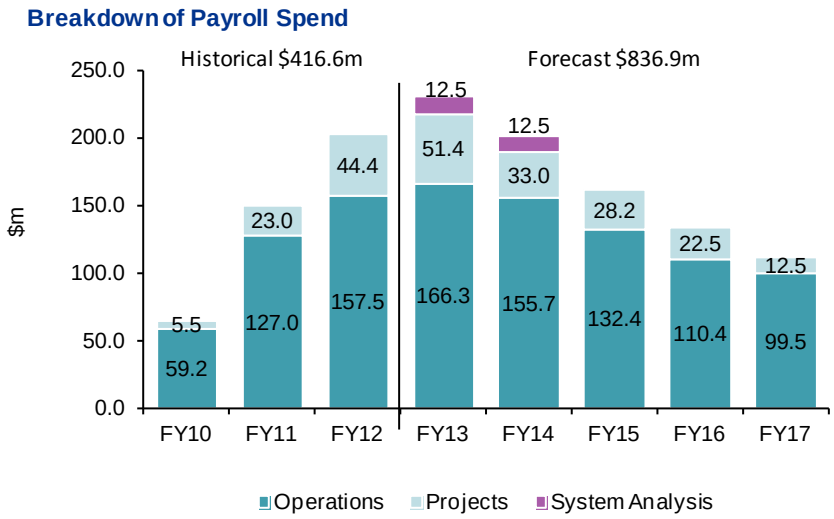
2.3 Costs

The total cost of the QH Payroll system between FY10 and the end of FY17 is estimated to be $1,253.5m. Of this, $416.6m is the historical spend between FY10 and the end of FY12 and $836.9m is the forecast spend from FY13 to the end of FY17. The FY10 costs include nine months of costs related to the previous payroll system.

The costs associated with the payroll system can be split between:

- **Business As Usual -** the costs associated with ensuring Queensland Health employees are paid on a fortnightly basis and the system maintained ($1,008.0m);
- **Project Costs -** the costs that are aimed at fixing the problems associated with the existing system ($220.5m); and
- **Future Systems Analysis -** the projects to undertake systems analysis in order to determine the requirement for further investment in either a system upgrade or a system reimplementation ($25.0m).

The following graph illustrates the split of the historical and forecast spend between operations, projects and systems analysis.



Of the $836.9m in forecast costs between FY 13 and FY17:

- 64% do not have approved funding, and
- 79% of the forecast costs are considered obligated by virtue of the need to deliver a payroll outcome each fortnight and to maintain the system.

The total costs exclude some costs that are yet to be quantified. The key costs not included are listed below with more detail included in *Section 4.3* of the report. These key costs include:

- **Upgrade or Reimplementation Costs:** Costs associated with performing an upgrade or re-implementing the award interpretation and payroll systems (SAP and Workbrain). The costs forecast to date reflect only the work to analyse the current systems prior to a decision being made as to the system to implement. It is recommended that a contingency amount be included in any future estimate of project costs associated with an upgrade or reimplementation as it is considered better practice for major information technology projects particularly those with the complexity and risk profile such as that associated with QH Payroll;
- **Fringe Benefits Tax (FBT):** FBT associated with waiving any overpayment debts that are not recoverable. The debt waiver FBT is more costly for QH than the loan FBT currently included in the forecast costs. Based on calculations as at 4 April 2012, the debt waiver FBT could be as high as $110.4m if no overpayments are recovered.

2.4 Projects

QH has developed a forward plan with specific initiatives to address these issues. These initiatives include:

1. **Payroll Hub Restructure:** aims to restore the close working relationship between the Districts and the hubs and is planned to be completed in FY14 (project costs: $5.0m; funded: nil).
2. **Pay Date Change:** proposes to move the pay date by seven days to allow sufficient time for submission and processing of payroll forms with the aim to improve the accuracy of pays. The key benefit anticipated from this project is a reduction in future overpayments (and associated FBT liability for QH). This is proposed to be completed in FY13 (project costs: $38.7m; funded: nil).
3. **Overpayments and Entitlements:** dedicated project focused on recovering historical overpayments and leave entitlements, proposed to be completed in FY14 (project costs: $22.3m; funded: nil).
4. **Electronic Rostering:** a two-year initiative focused on rolling out an electronic rostering system across QH business units on an opt-in basis. Proposed to be completed in FY14 (project costs: $38.9m; funded: nil).
5. **Payroll Self Service:** the implementation of a Payroll Self Service web application to give QH employees access to important pay related information. The majority of the functionality associated with Payroll Self Service will be implemented in FY13 with some ongoing work required out to FY15 (project costs: $8.2m; funded: nil).
6. **Payroll Portfolio Governance and Projects:** a four-year program of work focused on a series of other projects aimed at improving payroll. This program will address aspects including workforce management, business improvement, governance and assurance and business and financial management (project costs: $82m; funded: $10m).

2.5 Recommendations

Whilst there are a range of key issues to be addressed and a corresponding series of actions proposed, there are a number of immediate or priority actions for QH.

Specifically, QH should:

1 Expedite approval to **lift the current moratorium on QH-instigated recovery of overpayments and commence processes to recover overpayments.**

2 Expedite approval to **implement the change in pay date and commence processes to implement the change in pay date.**

3 Take proactive measures to further reduce the degree of retrospectivity built into current QH payroll processes by **implementing a change program to significantly reduce the window for lodging historical payroll forms.**

4 Commence work on **SAP and award interpretation engine upgrade planning** including considering options including the move of some or all standard SAP functionality that is currently in Workbrain into SAP. As part of this planning activity, it would be appropriate to approach a targeted external market to explore other systems and payroll operating models available to QH including associated costs, benefits and risks.

As outlined in this report, KPMG recommends a number of additional recommendations in relation to:

- Clarifying, communicating and committing to the forward strategy for the payroll system;
- Governance and decision-making;
- Ensuring adequate focus is given to stakeholder engagement and effective change management to support required changes in business approaches, processes and systems architecture; and
- Adopting a stronger focus on business benefits as well as providing greater clarity to stakeholders regarding the funding status for the payroll program to assist with determining priorities for future spend and value for money assessments.

Further details on the scope and findings of the review as well as recommendations are provided in this report.

It is noted that, at the time of writing this report, the operating environment for QH is changing rapidly. These changes include specific announcements regarding Government decisions on specific next steps to be taken in relation to QH Payroll. Where practical, we have noted any known changes or outcomes in this report current as at 31 May 2012.

3 Introduction

QH has experienced a number of significant and ongoing challenges associated with the March 2010 implementation of a new payroll system. The QH payroll system and its ongoing implementation, change and improvement has been the subject of numerous internal and external reviews since 'going live' on 8 March 2010.

As an outcome of the recent State Government elections in March 2012, Queensland experienced a change of government. A key commitment documented in Premier Newman's First 100 Day Action Plan for Queensland[7] was to commence an *'Audit of the Queensland Health Payroll to determine current errors and faults'*. In this context, KPMG has been engaged to assist Queensland Health and the Minister for Health with a review of the status of the current payroll system at Queensland Health. The review conducted by KPMG, including this report, meets the terms of reference set out for the engagement, however it does not represent an 'Audit', or any other exercise leading to the provision of assurance, in accordance with standards issued by the Australian Auditing and Assurance Standards Board.

3.1 Overview of the current review

The objectives of the current review are to provide:

- A review and summary of current systems and processes issues which are resulting in incorrect employee pay outcomes, associated with the introduction in March 2010 of the payroll system for QH;
- A review and summary of current QH solutions strategies and programs of work, including their forecast solution outcomes, timeframes and cost;
- A review of the information technology governance frameworks currently implemented by QH relevant to the payroll system; and
- Recommendations, based on KPMG's analysis and findings under focus areas regarding the way forward for QH in relation to the governance and oversight of the delivery of the solution outcomes to enhance value for money and improve the effectiveness of the payroll systems and process issues.

The focus of the analysis has been on both the analysis of key existing secondary source documents relating to historical and current issues, proposed solutions and actions associated with the QH payroll systems as well as consultation with a range of key stakeholders across QH, Queensland Shared Services (QSS) and other parties external to Government.

In undertaking the current review, KPMG has sourced a range of documents pertinent to the: implementation of the current payroll system; the current nine key issues identified by QH and QH's proposed solutions and decisions required to address those key issues going forward. *Appendix 1* provides a list of the documents reviewed as part of the current review.

[7] Source: http://www.thepremier.qld.gov.au/assets/100-day-action-plan.pdf

Important disclaimers and limitations relevant to an understanding of this report are set out in *Section 6* of this report.

3.2 Brief summary of the history of the QH Payroll implementation

An understanding of the history behind the implementation of the QH Payroll system is pertinent to the current review in that it provides further context and insight into the sequence of decisions and events that have led to the current situation in relation to QH Payroll.

Whilst the QH Payroll history has been documented across a range of QH and other reports, the following captures the key facts: [8,9,10,11]

- Prior to the implementation of the current system, QH operated a **Lattice payroll system** and **ESP as a rostering system**. These systems had been in place since a progressive system roll out that commenced in 1996 and ran over a 6 year period to 2002;
- When Lattice and ESP were rolled out, payroll departments were part of their respective Districts – **processing of pays was undertaken locally** and there were close working relationships between line managers and local payroll staff;
- Whilst processing of pays occurred locally, the actual running of the pay was undertaken centrally – essentially a **'hub and spoke' model** was in operation;
- In July 2003, a **shared services** model was formally introduced across Queensland Government;
- In late 2007, QH determined that there was a **need to look at alternative systems** to replace the Lattice system. There were concerns that Lattice would not be supported beyond June 2008 unless QH committed to an upgrade to a newer version of Lattice. There were also some concerns about the ability of the new version of Lattice to support enterprise bargaining changes required by QH;
- In addition, as of 2005, the **Whole-of-Government system for payroll** had been identified as **SAP ECC5 and Workbrain**. As a result, it was decided that QH would replace the Lattice / ESP system with SAP ECC5 / Workbrain as part of the Whole-of-Government Shared Services Initiative;
- In 2007, QH was identified as a **'priority' agency** for implementation of SAP / Workbrain given what had been identified as key risk exposure relating to the legacy Lattice / ESP system. CorpTech (QSS) had established additional internal capability and systems to support Lattice beyond the timeframe for vendor support (June 2008) however, there was a recognition that this represented a short term solution only;
- To cater for QH's specific business needs including the complex award structure, retrospectivity and concurrent employment, a **significant number of customisations** were made to both Workbrain and SAP;

[8] Source: Queensland Audit Office Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project
[9] Source: QH Quarterly Audit Committee Report, February 2012
[10] Source: QH internal reporting documentation on payroll, sourced April 2012
[11] Source: Interviews with QH stakeholders, April & May 2012

- There were a series of **significant delays and cost overruns** associated with the delivery of SAP and Workbrain with the system going live on 8 March 2010;
- Associated with the implementation of the new system **was further standardisation and centralisation of payroll processing** including the introduction of central processing teams and a centralised pay run. As such, the key linkage between the Districts and their local payroll providers was severed – payroll staff were required to process unfamiliar rosters for staff members across the state.
- In addition, **fundamental differences in how Districts and line managers were providing pay information and rosters** were identified with each District continuing to provide the information in the format they had developed locally (this was a continuation of what had occurred with the Lattice system however, now the payroll officers responsible for interpreting the pay information from the Districts did not have the local knowledge or relationships that had previously assisted with the interpretation process);
- During the payroll cut-over period to the new system, there were significant issues with the availability of the system to payroll staff which reduced the processing time available. This created an **initial backlog of payroll forms and unprocessed adjustments** for the period just prior to the 'go-live' date that grew over subsequent pay periods;
- It took approximately **eight months to process the backlog** of pay adjustments and forms to return to previous (BAU) levels;
- Given the significant issues identified following the initial 'go-live', it was decided to establish a **Payroll Stabilisation Project** specifically focused on stabilising the new payroll system. The four key focus areas for this project were: standardisation and improvement of District and Division business processes; payroll processing; payroll system performance; and support and communications for QH staff, line managers and other key stakeholders.
- During the remainder of 2010, a review of **the suitability of the SAP / Workbrain systems** was undertaken by Ernst and Young[12] which concluded that: SAP could provide an appropriate payroll system for QH; there was no clear 'leader' in rostering products adopted in either the Australian or international context and no 'dominant' payroll and rostering system specifically designed to work together for the health care sector; and the replacement of Workbrain with an alternative rostering system was viewed as having the potential to place significant additional burden of staff at significant additional cost. The overarching recommendation from Ernst and Young was for QH to continue with a two-phased approach of: 1) stabilisation and 2) optimisation of the existing system.
- Since 2010, QH together with QSS has undertaken a range of programs, projects and other initiatives that have been focused **on stabilisation and optimisation**. These have been grouped under the:
  - 'Payroll Improvement Program' (July 2010 – April 2011);
  - 'Payroll Operating Model Implementation' (July 2010 – April 2011);
  - 'Payroll Foundation Program' (November 2010 – February 2012);
  - 'Employee Overpayments Program (EOP) (March 2011 – ongoing);

[12] Source: Ernst and Young, Review of payroll and rostering solutions, September 2010

  - The 'Director-General's Taskforce and Engagement Project' (August 2011 – January 2012); and
  - 'Payroll Release Program' (October 2010 – ongoing);
- In September 2011, a **Payroll Portfolio** which brought together all the key payroll activities including the DG's Taskforce, the Payroll Release Program; the Payroll Foundation Program and the Employee Overpayments Program was established under an Executive Director.

See *Appendix 3* for further information on the detailed timeline for the QH payroll system since 'go-live' in March 2010.

3.3 Broader context for QH Payroll

In reviewing the current systems and process issues and proposed solutions for the QH Payroll system, it is important to also consider the complexity of the current operating environment of QH.

Specifically, it has been noted that:[13,14,15]

- QH employs approximately **85,000 staff** across a range of professional occupations, many of whom work a **24-hour, seven day-a-week** roster;
- The industrial environment for QH is particularly complex given that employees are employed under two different Acts, are covered by **12 different industrial awards** and are impacted by **six different industrial agreements**. In addition, there are over **200 separate allowances** across the awards and agreements. It is estimated that this complexity results in over **24,000 different pay combinations**;
- **1,010 payroll staff** are currently required to deliver approximately **$250m (gross) in salaries** to QH's 85,000 employees each fortnight;
- In previous reviews conducted by Ernst & Young[16], it was recognised that the **QH rostering and payroll system is unique** when comparing major payroll systems both in Australia and internationally. For this reason it is difficult to compare or benchmark the operating costs associated with QH payroll and provide any commentary regarding the appropriateness or efficiency of the QH payroll and associated costs. In saying this, it is noted from a scan of interstate health agencies and their current payroll solutions that QH has the second largest workforce and the most complex awards structure in Australia and is unique in that it has adopted a centralised payroll solution (whereas a number of other health agencies have deployed multiple solutions across their networks of health regions or districts).[17]
- The current payroll for QH is made up of **two interfacing software systems**: Workbrain and SAP. Workbrain is an award interpretation engine and SAP is the payroll system. Both

[13] Source: Auditor-General Report to Parliament No. 7 for 2010
[14] Source: QH internal reporting documentation on payroll, sourced April 2012
[15] Source: Interviews with QH stakeholders, April & May 2012
[16] Source: Ernst and Young, Review of payroll and rostering solutions, September 2010
[17] Source: Anecdotal feedback from discussions with industry representatives, May 2012

systems are required to work together in a synchronised way to deliver the pay outcomes for QH each fortnight and any improvements or changes to one system need to be reflected in both systems to maintain synchronicity;

- A **significant number of customisations** have been made to both **Workbrain (1,029 customisations)** and **SAP (1,507 customisations)** to tailor them to QH's requirements and context. These customisations have been necessary to capture the complexity of awards conditions for QH employees but have introduced significant complexity into the administration of the payroll system itself that has impacted on payroll performance;
- Approximately 3,200 employees across QH have **concurrent employment arrangements** whereby employees have multiple positions within QH at the same time and different employment conditions / entitlements for each position. The management of concurrent staff introduces significant business and technical complexity to the payroll system and this impacts on payroll performance and processing work volumes; and
- The **current processes** associated with delivering the payroll service involve a significant number of manual 'work-arounds', double handling of pay forms, retrospective payments, ad hoc payments and other associated adjustments.

These key facts highlight a number of significant challenges for QH that relate to both the design of the QH payroll system as well as the ongoing management of the performance of the payroll function. It is recognised that these challenges have contributed to some of the significant issues QH has experienced since the implementation of the payroll system in March 2010.

4 Analysis and findings

In conducting the current review, the analysis and subsequent key findings can be grouped as follows:

1. General themes or observations;
2. Specific findings for each of the nine identified and documented key issues (refer Section 4.2) of the current QH payroll situation and the solutions proposed by QH to address those key issues;
3. Analysis of QH's indicative future costing for its payroll operations and improvement projects; and
4. Analysis of portfolio governance.

4.1 General themes or observations

- **Recognition of the importance of the current focus areas – the nine key issues:**
  - It is important to recognise that QH's highest priority continues to be the delivery of the QH payroll each fortnight and QH has maintained this priority whilst working to resolve systems and processes issues and bring about improvements in payroll outcomes.
  - Significant work has been undertaken by QH to identify the critical issues that are contributing to the performance of the QH payroll system. This has resulted in QH identifying nine key issues, a number of other issues and a plan to address the issues through six projects with corresponding identified requirements for funding to resolve them.[18]
  - The nine key issues documented in a range of QH source documents[19,20,21,22,23] relating to the payroll project address the key current issues and priorities for QH regarding its payroll system. Notably, these issues represent a mix of strategic and tactical focus areas and a complex inter-relationship exists between the nine key areas.
  - KPMG identified an additional key issue outlined by stakeholders and documented in previous reviews[24,25,26] regarding employee leave and entitlements. Whilst it is appropriate for QH to consider elevating leave and entitlements for inclusion as a specific key issue, it is noted that specific actions to address entitlements have been included in the proposed Overpayments and Entitlements project.
  - Beyond the key issues, a number of other issues have been identified that will need to be addressed through the improvement program going forward (see *'Other QH Payroll issues raised' in Section 4.2* below for further details).

[18] Source: QH internal reporting documentation on payroll, sourced April 2012
[19] Source: Ernst & Young, Review of Payroll and Rostering Solutions, September 2010
[20] Source: Ernst & Young, Interim Pain Point Assessment, October 2011
[21] Source: KPMG, Queensland Health Payroll Update, August 2011
[22] Source: KPMG, Interim Queensland Health Payroll Action Plan Update, October 2011
[23] Source: QH Audit Committee: Quarterly Payroll Report, October 2011
[24] Source: Ernst & Young, Interim Pain Point Assessment, October 2011
[25] Source: Ernst & Young, Review of Payroll and Rostering Solutions, September 2010
[26] Source: KPMG, Interim Queensland Health Payroll Action Plan Update, October 2011

- **Recognition of the ongoing 'fragility' of the QH payroll system:**
  - It is important to recognise that, even though significant progress has been made in stabilising the QH payroll system, the system remains 'fragile' in the sense that any system changes that are introduced have the potential to impact on pay outcomes.
  - The degree of customisation of the current payroll and award interpretation systems has created complexity that makes the potential impacts of new Releases and system changes difficult to predict.
  - Whilst testing does occur prior to the roll out of new Releases, there is typically a 'shake down' period after each Release where unforeseen impacts need to be identified and rectified.
- **A historical and current focus on resolving critical issues and improving system performance:**
  - It has been observed that the payroll program has been oriented towards identifying and addressing specific symptoms and issues related to operational performance of the payroll function – that is, there has been a 'bottom up' focus and priority on resolving critical issues that are impacting on payroll accuracy and performance.
  - It is now appropriate for the program to articulate the 'bigger picture' view, including identifying and communicating what the end system will look like (from an operating and service model perspective) including what payroll and rostering functions will be performed, by whom and where, across QH.
  - In addition, the payroll function needs to continue to consider the impacts of the National Health Reforms and the implementation of Hospital Boards across QH.
- **Strategic significance of resolving key remaining questions regarding the go forward plan for the technical payroll system:**
  - KPMG agrees with QH's assessment that there is still more analysis needed to be undertaken to articulate the way forward in terms of what is required from a system upgrade or reimplementation perspective.[27] As noted earlier, the emphasis to date has been continued delivery of payroll on a fortnightly basis.
  - A specific project planned for FY12/13 which will be focused on the analysis of the business requirements and options for SAP (which have been developed) and awards interpretation engine upgrade or reimplementation.
  - This analysis is a critical next step required to get a clear picture of the way forward for the technical solution.
  - As noted previously, it may be prudent for QH to make a targeted approach to the external market to understand the range of system solutions that may be available. Such a 'request for information' process could be included in the $25m currently set aside for the 'systems analysis' project.

[27] Source: Payroll Portfolio Strategies: Project / Initiative Definitions, April 2012

- **Governance of the Payroll Program:**
  - The importance of having the right governance structures, leadership, ownership, engagement and positive working relationships across Agencies and key stakeholders was recognised.
  - The governance framework has been adapted as the payroll portfolio has evolved over time.
  - Whilst it has been recognised by the Queensland Auditor-General[28] and others that the governance frameworks that were in place for QH payroll both prior to 'go-live' and immediately following 'go-live' were not adequate, the current governance framework has some key strengths in terms of committee membership, leadership engagement and clearly defined roles and responsibilities.
- **Future structural alignment and respective roles and responsibilities for QH and Queensland Shared Services (QSS):**
  - The key steps required for technical separation of the QH HR system from the Whole-of-Government system have been commenced and the timeframe for the full technical separation is currently estimated to be the end of 2012.[29]
  - The future arrangements for the structural alignment and reporting relationships for QSS as the technical service provider requires further consideration, consultation and planning.
  - A need exists to ensure that any potential structural re-alignment or transition of QSS personnel across to QH is carefully planned and managed to ensure that there will be no negative impact on 'business as usual' (BAU) payroll system performance.
- **Costs associated with the QH Payroll project:**
  - The historical and anticipated future costs for the QH Payroll project have been outlined by QH in key documents reviewed by KPMG and a summary of these costs is provided in this report.
  - Some future costs potential savings are dependent on Government endorsement to proceed with specific payroll improvement initiatives that are aligned with addressing the nine key issues. In addition, QH is committed to an underlying cost associated with continuing to deliver payroll services across QH – these costs are, in effect, the 'minimum' costs QH will be required to fund over the coming period to ensure that the payroll system delivers essential payroll services to QH staff (i.e. BAU payroll services).
  - The total cost identified by QH for the payroll project reflects the cost for ongoing BAU service delivery together with the costs associated with specific improvement initiatives focused on addressing the nine key issues.[30] QH has identified that support for the current Workbrain and SAP systems will expire in November 2014 and June 2015 respectively. As such, there will be a requirement for further investment in either a system upgrade or system reimplementation before 2014.

[28] Source: Queensland Audit Office Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project.
[29] Source: Interviews with QH stakeholders, April & May 2012
[30] Source: Additional financial data as provided by Payroll Portfolio Team, May 2012

- The costs associated with the system upgrade or implementation have not been quantified to date and represent additional costs beyond the current 'minimum' identified and outlined in the report which relate to a preliminary 'systems analysis' only.
- In addition, any funding associated with a targeted approach to the external market to understand the range of system solutions that may be available to QH beyond the current system and operating model has not been identified. Any fundamental change in the system for the QH Payroll such as moving to an alternative system, would have significant cost escalation, risk escalation and business process implications that would require thorough assessment prior to proceeding with an alternative system. That is, there are potentially significant negative drawbacks or consequences associated with adopting a new system. For example: the timeframe for implementing a new system would be a minimum of 2-3 years; there would be costs and resourcing impacts of running up to three payroll systems simultaneously (Lattice, SAP and a potential new system); and the current complexity of the QH award conditions would mean a degree of customisation of any chosen system which would impact on system performance, cost and resourcing requirements (as is the current situation with SAP).

- **The significance of the current Industrial Relations environment:**
  - The Unions that serve QH staff will remain a key stakeholder in the payroll project and effective engagement with this stakeholder group will remain key to the successful implementation of specific payroll improvement initiatives, such as moving the pay date and implementing electronic rostering, etc.
  - It is acknowledged that the complexity of the current awards framework across QH has and continues to have a significant impact on the performance of the current payroll system.
- **The need to commit to a plan and move forward:**
  - It will be important for the Queensland Government and QH to reach agreement on the way forward and commit to specific actions to resolve current issues and move towards a stable operating environment as soon as is practical.
  - This will start the process of rebuilding the trust and confidence of QH staff but will take some time and will require continued delivery of outcomes that improve the payroll experience for QH staff.

4.2 Specific findings against the nine key issues

The following table provides a brief summary of the key findings for each of the identified key issues:

Key Issue	Summary of Findings
1. Historical payroll forms submission	• Implementation of a new policy that curtails historical payroll form submission will have the potential to significantly improve payroll performance and efficiency but will require a comprehensive organisational change management and communications approach. • Historical form submission (going back up to six years in some cases) requires the payroll system to retrospectively adjust pay and entitlements. KPMG notes that the current timeframes and volumes associated with retrospective payments are likely to be significant and, anecdotally, this feature of QH payroll is unusual when comparing QH with other major payroll systems.
2. The relationship between Districts and payroll hubs	• There is recognition of the potential benefit of devolving some payroll functions to the Hospital Boards however, it will be critical to clearly define respective roles and responsibilities between the Hospital Boards and QH Divisions (i.e. 'corporate'). • In terms of the timing of the transition of payroll functions to the Hospital Boards, it will be important to achieve a balance between the benefits to be gained by bringing the payroll function closer to the customer at the local District / Hospital Board level and maintaining a more 'centralised' approach in the near term whilst work on stabilising and improving the payroll function is underway.
3. Time between roster close and pay date	• Moving the pay date would improve the accuracy of employee pay and should result in improved pay outcomes. However, there will need to be sufficient focus on the changes required to business processes and culture to ensure that the gains achieved are realised and sustained.
4. Payroll processing accountability	• There are clear benefits in establishing a separate technical platform for QH given the scale and complexity of the QH payroll system and the divergent upgrade path from the current Whole of Government system. Further consideration is required regarding any subsequent transition of QSS personnel (and / or the current QSS functions) across to QH.
5. Overpayments and Entitlements	• QH has an obligation under the Financial Accountability Act 2009 to recoup overpayments. It will be important to provide adequate

Key Issue	Summary of Findings
	resources to assist staff in a timely, proactive manner regarding their overpayment liability and options for paying the funds back to QH. In addition, it will be critical to keep all key stakeholders informed throughout the process. • Known system issues which are impacting on pay accuracy include: system-generated automatic top-ups; manual top-ups resulting in a double payments in a limited number of cases; and payment of overtime to employees whilst they are on leave. It is noted that a series of manual work-arounds are currently in place to try and mitigate the impacts of these system issues. • There are plans to address these system issues through the Release schedule for system fixes and enhancements.
6. Electronic rostering for line managers	• There are clear efficiency and workflow benefits to an effective electronic rostering system. Earlier reviews by Ernst and Young[31] identified that an electronic rostering system would decrease the time taken to resolve pay-related enquiries, decrease the average number of roster amendments and reduce the incidence of award breaches. • In addition, rosters are currently the primary input into the payroll system and, as such, the accuracy and timeliness of rosters has a critical impact on payroll performance. • Further work is required to analyse the options for an electronic rostering system and again, the implementation of such a system will require adequate focus on education, communications and support to line managers during implementation.
7. Payroll system fixes[32]	• As of 2 May 2012, there are 570 logged system issues, 76 of which are identified as having the potential to impact on staff pay. • Other specific system fixes that have been scheduled for implementation include: enterprise bargaining back pay and superannuation contributions. • A key challenge in performing system fixes is that there are limited windows available to perform system enhancements (which are referred to as 'Releases') and, as such, forward planning, prioritisation and commitment to follow through are critical to ensuring these windows can be effectively utilised.
8. Upgrade of SAP and the	• There are differing options regarding what QH's future system

[31] Source: Ernst and Young, eRoster Benefits Study, January 2012.
[32] Source: QSS, Known Issues Report, 2 May 2012

Key Issue	Summary of Findings
reimplementation of an awards interpretation engine	requirements and system architecture should look like. • Further work is required to understand the required degree of customisation and functionality in both SAP and Workbrain and to determine the most cost effective system for QH going forward. • Key considerations for the future system will be the future payroll operating and service delivery model as well as the importance of accurate data migration.
9. Payroll project funding	• There has been considerable analysis performed by QH to quantify the funding requirements of the current and future projects associated with QH payroll. • For further details, please refer to the commentary under *Section 4.3: Analysis of indicative costs.*

Other QH Payroll issues raised:

Notably, in addition to the nine key issues, a number of other issues were also identified in the QH documents reviewed and raised by key stakeholders. These issues include: [33,34,35,36,37,38,39]

- **Leave and entitlements:** As outlined above, the issue of employee leave and balances requires further investigation and analysis and should be considered for elevation as a 10th key issue. We note that within the scope of the proposed overpayments recovery project there is some provision for addressing entitlements and leave. We also note that PwC has conducted a number of reviews into leave balances[40] associated with the QH Payroll project and they have identified some issues with outstanding leave transactions associated with the move from the previous Lattice payroll system across to SAP. Specifically, it is understood that when the payroll system was switched over to SAP, there were approximately 20,000 forms that were not yet processed and therefore the associated transactions were not migrated across to SAP.[41]Approximately 5,700 employees require adjustments to their leave balances relating to leave transactions that occurred prior to 8 March 2010. Paperwork for these adjustments was received after 'go-live' and the employee has been paid but leave balances have not been adjusted. Whilst these outstanding leave balances require attention and rectification, it is understood that it will take some time for QH to undertake the necessary work to resolve the current leave balances issues. In addition, there are known system issues relating to the interface of leave balances between Workbrain and SAP. There are at least 16,000 employees with leave balances that differ between Workbrain and SAP[38].

[33] Source: QH Audit Committee: Quarterly Payroll Report, October 2011
[34] Source: Ernst & Young, Review of Payroll and Rostering Solutions, September 2010
[35] Source: Ernst & Young, Interim Pain Point Assessment, October 2011
[36] Source: KPMG, Queensland Health Payroll Update, August 2011 KPMG
[37] Source: 2011 KPMG, Interim Queensland Health Payroll Action Plan Update, October 2011
[38] Source: QH internal reporting documentation on payroll, sourced April 2012
[39] Source: Interviews with QH stakeholders, April & May 2012
[40] Source: PwC Leave Balances Review Phase 1, March 2011
[41] Source: PwC Leave Balances Review Phase 1, March 2011

- **Concurrent employment:** Approximately 3,200 employees across QH have concurrent employment arrangements. A concurrent employment arrangement involves an employee having multiple positions within QH at the same time and different employment conditions / entitlements for each position. It is understood that the management of concurrent staff introduces significant business and technical complexity to the payroll system. The future system for managing concurrent employment requires further investigation and analysis.
- **Ongoing confusion regarding interpretation of payslips:** It is understood that despite the release of explanatory materials, staff are still experiencing significant problems reading, interpreting and understanding their payslips.
- **Interface issues:** The interfaces between SAP and Workbrain are complex and there have been ongoing issues with keeping the two systems synchronised. This requires significant effort to maintain and should be included in the detailed investigation of any future system.
- **Salary sacrificing:** The system does not currently allow for salary sacrificing of retrospective payments. As such, there is a requirement for QH employees to manually manage their Fringe Benefits Tax and superannuation contribution caps. The solution for this issue requires further consideration as it is understood that the proposed system fix is complex.
- **Annual Leave Central Scheme:** The system is currently incorrectly calculating QH's Annual Leave Central Scheme liability and further work is required to fix this issue.
- **Attributing costs accurately to cost centres:** Workbrain is not able to apportion employee costs to multiple cost centres. A timeframe and plan for resolving this issue has not been confirmed as yet.

It is understood that the current program of work being proposed by QH encompasses six key projects which have been identified to address the nine key issues outlined above.[42] The analysis of indicative costs set out in *Section 4.3* of this report has focused on the key components of the ongoing funding of payroll operations, the funding of the six priority improvement projects as well as the funding required to investigate any potential upgrades or re-implementations of the current payroll system.

[42] Source: QH internal reporting documentation on payroll, sourced April 2012

4.3 Analysis of indicative costs[43]

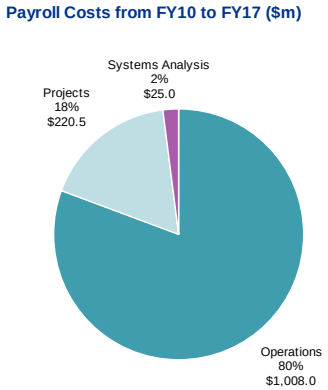
What is the Cost of Queensland Health payroll?

The new Queensland Health payroll system was implemented in March 2010 and the actual and forecast costs through to FY17 associated with the system and corresponding operating model, as estimated by QH, are summarised below. Queensland Health has estimated the costs associated with running payroll operations and fixing the key issues associated with the payroll system, both in the short and longer term. The Payroll Portfolio team provided these costs.

Summary of Payroll Costs $m	Historic			Forecast					
Area of Spend	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**Total**
Operations									
Payroll and Establishment	40.5	79.7	102.3	101.1	91.9	76.3	62.5	57.5	571.4
Queensland Shared Services	18.7	40.2	48.9	56.2	54.9	53.5	46.2	40.3	340.2
Payroll Release Program	0.0	7.1	6.3	6.5	6.4	1.7	1.7	1.6	31.3
Payroll Portfolio Governance	0.0	0.0	0.0	2.5	2.5	1.0	0.0	0.0	6.0
Total Operations	**59.2**	**127.0**	**157.5**	**166.3**	**155.7**	**132.4**	**110.4**	**99.5**	**1,008.0**
Payroll Projects - Organisational Change									
Payroll Hub Restructure	0.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	5.0
Pay Date Change	0.0	0.0	1.2	8.9	8.3	7.5	6.8	6.0	38.7
Overpayments (& Entitlements)	1.2	1.9	5.6	11.4	2.2	0.0	0.0	0.0	22.3
Electronic Rostering	0.0	0.0	0.0	7.5	9.3	10.6	7.2	4.3	38.9
Payroll Portfolio Governance & Projects	0.0	0.0	35.4	15.6	11.2	9.1	8.5	2.2	82.0
Payroll Self Service	0.0	0.0	2.2	3.0	2.0	1.0	0.0	0.0	8.2
Total Organisational Change Projects	**1.2**	**1.9**	**44.4**	**51.4**	**33.0**	**28.2**	**22.5**	**12.5**	**195.1**
Payroll Projects - Technology Change									
Business requirements consolidation & analysis of SAP upgrade / re-implementation planning	0.0	0.0	0.0	10.0	10.0	0.0	0.0	0.0	20.0
Award interpretation engine planning	0.0	0.0	0.0	2.5	2.5	0.0	0.0	0.0	5.0
Total Technology Change Projects	**0.0**	**0.0**	**0.0**	**12.5**	**12.5**	**0.0**	**0.0**	**0.0**	**25.0**
Other									
Previous Payroll Projects	4.3	21.1	0.0	0.0	0.0	0.0	0.0	0.0	21.1
Total Other	**4.3**	**21.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**25.4**
Total	**64.7**	**150.0**	**201.9**	**230.2**	**201.2**	**160.6**	**132.9**	**112.0**	**1,253.5**

[43] Additional financial data as provided by Payroll Portfolio Team – May 2012 & Payroll Portfolio Strategies: Project / Initiative Definitions – 24 April 2012

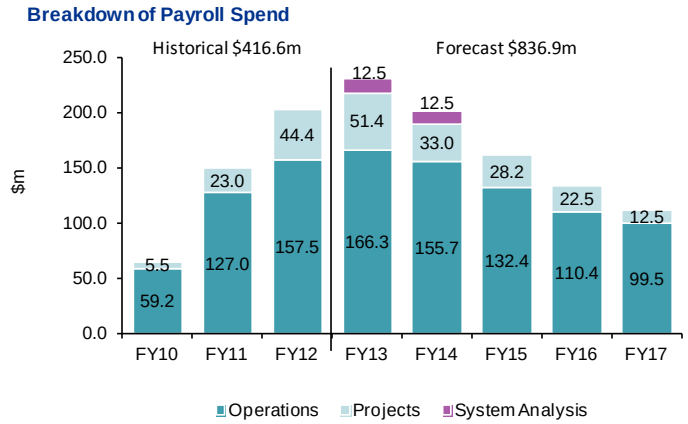
What does the cost comprise of?



The costs total **$1,253.5m** of which $416.6m will be incurred by the end of FY12 and $836.9m will be expended between FY13 and FY17. It should be noted that the FY10 amount includes nine months of costs under the previous payroll system. Of the total costs:

- $1,008.0m relates to operations;
- $220.5m of the costs relate to projects; and
- $25.0m to the systems analysis.

The graph below depicts the split of the historic and forecast spending across the areas of operations, projects and systems analysis. The **forecast costs total $836.9m**, of which **79% relates to operations**. The costs associated with the payroll system are expected to decrease over time after a peak in FY13. The decrease in costs results from a reduction in project activity and the assumed realisation of benefits resulting from the implementation of projects.

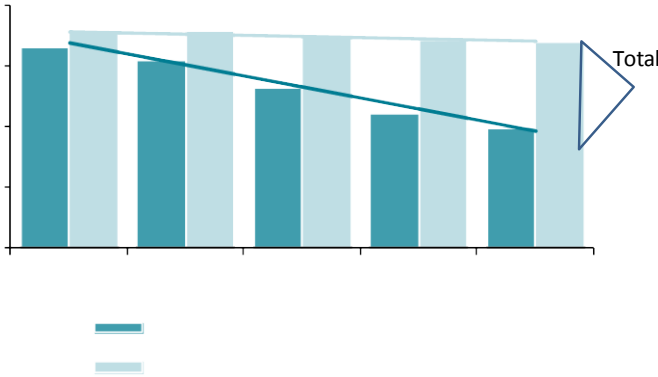


What are the costs that will be incurred if the projects are not implemented?

If the project activities were not implemented and the resulting benefits not realised the cost of operations would continue at their current levels resulting in **operational costs $207.7m higher** than currently forecast from FY13 to FY17. The $207.7m represents the benefits to payroll operations that are expected to be achieved through the implementation of the projects. These benefits only relate to the benefits expected within QH payroll operations for the period from FY13 to FY17. There will be **other benefits arising from the improvement projects that have not yet been quantified** which may include savings related to a reduction in award breaches, reduced FBT costs, reduction in rostering costs, improvements in business process efficiency, reduction in work-arounds etc. It should also be recognised that the savings are expected to continue beyond FY17.

The **projects are expected to cost $245.5m** over the period to FY17.

The graph below depicts the difference in the operations costs under the two scenarios.



Note: The reduction in costs relates only to specific QH payroll operations costs and does not capture other potential improvements and efficiencies arising across QH (e.g. improved business processes, reductions in FBT costs, reductions in work-arounds, reduction in the cost of rosters etc.)

What is Queensland Health obligated to spend?

In the following table, forecast costs have been broken down according to whether they are funded / unfunded and obligated / uncommitted. These classifications are described below.

- **Funded** – these are the forecast costs for which there is approved funding;
- **Unfunded** – these are the forecast costs that do not currently have approved funding. These costs fall within the forward budget periods;
- **Obligated** – these are the forecast costs that QH will need to incur in order to deliver a payroll outcome each fortnight and to maintain the system; and
- **Uncommitted** costs – these costs are currently not committed, however benefits are expected to be achieved if these costs are incurred.

The following table outlines a breakdown of costs between FY13 and FY17 which are expected to total $836.9m. Of these:

- 64% do not have approved funding; and
- 79% of the forecast costs are considered 'obligated'.

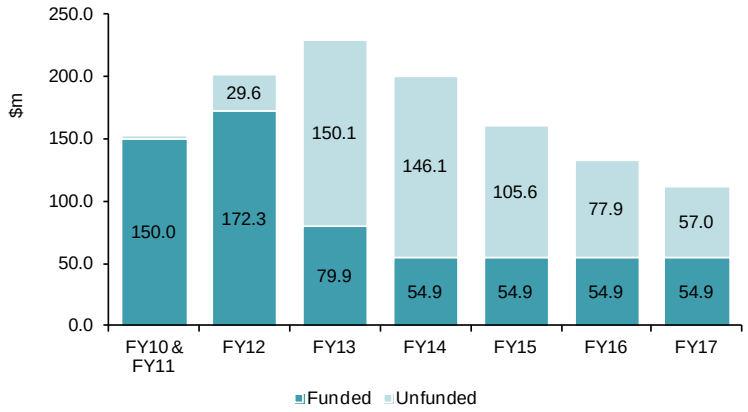
Breakdown of Forecast Costs $m									
Description	**Forecast**	**Funded**	**%**	**Unfunded**	**%**	**Uncommitted**	**%**	**Obligated**	**%**
Operations	664.3	289.5	44%	374.8	56%	0	0%	664.3	100%
Projects	147.6	10.0	7%	137.6	93%	147.6	100%	0	0%
Systems Analysis	25.0	0	0%	25.0	100%	25	100%	0	0%
Total	**836.9**	**299.5**	**36%**	**537.4**	**64%**	**172.6**	**21%**	**664.3**	**79%**

There is an element of the forecast costs that does not have approved funding. The forecast costs total $836.9m, of which **$537.4m or 64% is unfunded.**

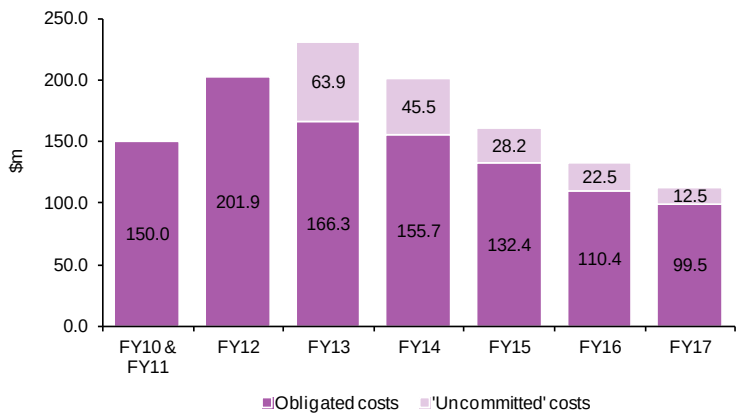
Some of this unfunded element of the forecast costs relates to **operations and totals $374.8m or 56% of the forecast operations costs**. This operational spend is considered to be obligated spending for Queensland Health in order to pay the Payroll and Establishment staff required for the delivery of pays. This cost decreases over time based on the assumption that efficiencies will occur within operations as the projects are implemented. If the projects do not proceed it is likely that this operations cost will not decrease as anticipated in the current projections.

The historical component of the total costs is considered 'obligated' as it is spending that has already been incurred. This includes the costs from FY10 the end of FY12. These costs total $416.6m over this period. The following graphs illustrate the funded and obligated costs over time.

Funded v Unfunded Split



Obligated costs for QH



Key points to note include:

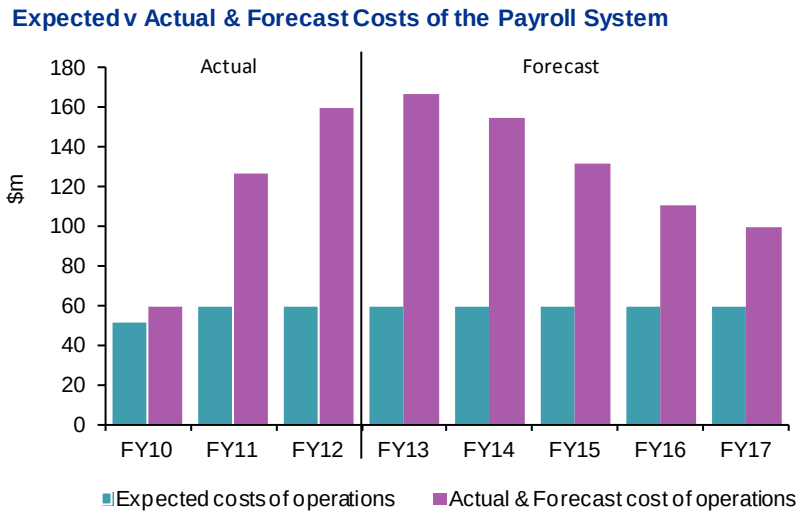
- There is $29.6m of unfunded costs identified in FY12;
- There is an overall shortfall in the funding of forecast costs out to FY17 of $537.4m. 55% of this occurs in FY13 and FY14. Operations is expected to have to continue their staffing at the current level in these years as the efficiency improvements expected from the projects are not all expected to be realised until FY15 and beyond;
- The operations costs are forecast to begin reducing from FY14 as the improvements relating to the projects are expected to start to be realised;
- It should be noted that in previous reviews conducted by Ernst & Young[44], it was recognised that the QH rostering and payroll system is unique when comparing major payroll systems both in Australia and internationally. For this reason it is difficult to compare or benchmark the operating costs associated with QH payroll and provide any commentary regarding the appropriateness or efficiency of the QH payroll and associated costs;

[44] Source: Ernst and Young, Review of payroll and rostering solutions, September 2010.

- There has been no forecast beyond FY17 as this will depend on the decisions made in relation to the system and therefore the operating costs associated with the system at that time; and
- These costs do not include the cost to upgrade and / or re-implement the current SAP and Workbrain systems. An estimate of this cost requires further investigation and will be a focus of the 'Technology Change Project' (systems analysis project) which is planned for FY13 and FY14.

What was the expected cost of the new QH Payroll System?

Prior to the new payroll system being implemented, it was not expected that the costs of the new payroll system would be as significant as they have been. Whilst a business case outlining the expected costs was not originally prepared, a budget was approved for the costs expected to be required to fund operations. The following illustrates the difference between the expected costs and the actual and forecast costs expected to be incurred. Over the period the difference has totalled approximately $530m. The forecast costs assume the projects are implemented and the associated benefits realised.



These operations costs have increased significantly for a number of reasons including:

- The additional payroll staff required to process the pay each fortnight due to the highly manual business processes. There is currently in excess of 1,000 payroll staff. The increase occurred during the Payroll Stabilisation Project when the number of payroll staff increased from 600 to 920. Whilst a key objective would be to improve payroll efficiencies and reduce the requirement for payroll staff over time, there is a need to continue with the current staffing profile for QH until significant improvements in system performance and reductions in manual work-arounds, etc. can be achieved;
- The additional system fixes and changed business requirements;
- Increased demand on the system resulting from both the additional payroll staff, projects such as PIP and PFP, the industrial agenda and outstanding defect rectification;
- Increased system capacity requirements due to growing transactional volume and retrospective activity;
- The complexity of the award conditions and associated pay combinations leading to significant customisation of the awards interpretation engine (Workbrain) and the payroll solution (SAP).

What are the key assumptions used by QH in developing the cost forecasts?

Some key assumptions made by QH in developing the forecasts include:

- **Payroll and Establishment** - Cost reductions in Payroll and Establishment over time reflect a decrease in total funding assuming benefits are realised. However, these savings are dependent on a number of improvement projects going ahead and the timeframes in which they are delivered.
- **Overpayments** - Overpayments will start to be recovered and the recovery will reduce the FBT liability over time. The overpayments project is expected to be completed within FY14. The FBT associated with the overpayment loans has been included in Operations as this spend will occur regardless of whether the recovery process occurs as a component of this has already been incurred.[45] This amount assumes all overpayments will be recovered within two years.
- **Change to pay date** – The spend assumes the approval for the pay date change was provided in April 2012. We understand that Government is currently considering changes to the pay date.
- **Electronic Rostering** - Support demands for an electronic rostering system will increase as it is rolled out to more business units. Assumes roll out to 950 business units per year.
- **Payroll Portfolio** - Engagement of specialist skills and resources for the various projects can be fast tracked / attracted. The resourcing assumes adoption of the proposed four year strategy and work priorities.

In the time available, KPMG has not been able to assess the reasonableness of the forecasts or the key underlying assumptions, however the following observations can be made:

- KPMG recognises that significant planning has been undertaken by QH to forecast the costs associated with the six projects identified to address the significant payroll issues. It is acknowledged that over time these costs will continue to change as assumptions change including timing.
- Some costs are yet to be quantified and are excluded from the total costs. These excluded costs are outlined below:
    - **Upgrade or Reimplementation Costs** - Costs associated with performing an upgrade or re-implementing of the award interpretation and payroll systems (SAP and Workbrain). The costs forecast to date reflect only the work to analyse the current systems prior to a decision being made as to the system to implement. It is recommended that a contingency amount be included in any future estimate as this is considered better practice for major information technology projects particularly those with the complexity and risk profile such as that associated with QH Payroll;
    - **Fringe Benefits Tax** - The costs identified by Queensland Health include an amount of FBT payable on the overpayment loans. The amount included relates to a loan fringe benefit that arises in relation to the overpayments and assumes 100% of overpayments will be recovered and that they will be recovered within two years. Overpayments do not become loans under FBT law until Queensland

[45] Financial data provided by Payroll Portfolio Team (May 2012)

Health notifies employees of the overpayment. This is the point at which FBT starts accruing.

The amount currently included in the costs does not take into account FBT associated with waiving any overpayment debts that are not recoverable. The FBT payable where the overpayment loans are waived could potentially be more costly for QH than the loan FBT currently included in the forecast costs. This will depend on the value of the overpayments that are recovered and the timeframe within which they are recovered.

As at 4 April 2012, Queensland Health calculated scenarios to determine the potential cost if 100% of the overpayments were not recovered. These calculations were based on the overpayments that have been notified to date and the overpayments incurred in FY12 that are yet to be notified, totalling $127.0m. The FBT liability on outstanding debts will vary depending on when the write-off occurs and the notional interest rate applied in calculating the loan fringe benefit. If 100% of the overpayment loans are recovered within a two-year time frame, the FBT cost will be approximately $8.03m. This could increase to a FBT cost of approximately $110.4m if none of the overpayments are recovered and 100% of the debts are immediately waived. This figure could increase where there is no recovery and the timing of waiving them is delayed.

- **Contingency** – There is currently no contingency amount included within the costs for the projects (which is considered better practice for complex systems and information technology-related change projects). When considering allowances for contingency, there are two key dimensions to be assessed: project complexity and project risk. In the case of QH Payroll, given the complexity of the operating environment, the legacy of historical issues with the implementation of the payroll solution and the complexity and risk-appetite of the stakeholder environment, it would be prudent to consider any improvement projects associated with QH Payroll as being 'high complexity' and 'high risk' and thus warranting a significant contingency allowance;
- **Relocation Costs** - Costs associated with relocating payroll staff to align them with Districts;
- **Allowances for growth or change to QH** – costs are based on the current operating model for QH and do not take account of proposed changes e.g. Hospital Boards; and
- **Extended timeframes** - Extension of implementation timelines that may result from any stakeholder issues identified.

4.4 Portfolio Governance

KPMG's analysis of information technology frameworks implemented by QH relevant to the payroll system has focused on three aspects:

1 A brief overview and commentary on historical governance for QH Payroll;

2 A review of the current situation in terms of current information technology governance frameworks; and

3 Insights into the likely future governance requirements for QH Payroll.

Brief overview on historical governance for QH Payroll

The historical challenges and issues associated with governance for QH Payroll have been well documented in previous reports including the *Queensland Auditor-General Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project.*[46]

The key findings from the Auditor General's Report[47] were as follows:

- Project governance prior to 'go-live', including managing **relationships with key stakeholders was not effective** in ensuring roles and responsibilities were clearly articulated and in ensuring there was clear accountability for efficient and effective implementation of the system;
- The **governance structure** for the system implementation, as it related to CorpTech, the prime contractor, and Queensland Health, was not clear, causing confusion over the roles and responsibilities of the various parties;
- There was **inadequate documentation of business requirements** at the commencement of the project;
- The **absence of a periodic review of the business needs** contributed to subsequent difficulties with system testing and the implementation of a system which did not meet the needs of Queensland Health's operating environment;
- **System and process testing prior to 'go-live'** had not identified a number of significant **implementation risks** and therefore the extent of the potential impact on the effective operation of the payroll system had not been fully understood and quantified;
- **System useability testing and the validation of the new processes in the business environment was not performed.** As a result, Queensland Health had not determined whether systems, processes and infrastructure were in place for the effective operation of the new system;
- A number of **critical business readiness activities and practices** were not fully developed prior to the implementation of the new system; and
- Several **changes to payroll administration practices** including the re-allocation of processing duties within payroll were introduced at the same time as the release of the SAP and Workbrain systems.

Out of this review, the Auditor-General identified a number of key 'learnings' and corresponding specific recommendations for information technology governance which included a requirement for[48]:

- Formal documentation of **roles and responsibilities**, accountabilities and key performance indicators for all relevant parties;

[46] Source: QAO website, http://www.qao.qld.gov.au/report-no-7-for-2010
[47] Source: QAO Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project.
[48] Source: QAO Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project (Section 2.4: Audit Findings)

- Formal **documentation of the program** being divided into tranches with 'end of tranche' reviews recommended to assess program effectiveness, risks, issues, benefits, etc;
- In accordance with the Queensland Government project management methodology, higher risk projects to be **periodically reviewed** to ensure that risks are controlled and the project is on track. Large projects should be divided into stages with each stage clearly planned, controlled and 'end stage reviews' performed; and
- Specifically, for Shared Services systems implementations, the governance structure to cover all related parties. An **end-to-end governance structure**, including a project board should be established at the outset of the project.

Current situation

The QH Payroll Portfolio information technology governance framework is primarily focused on a planned and successful delivery of Releases for SAP and Workbrain. The purpose of the Payroll Portfolio and the associated portfolio activity is to ensure that the operational aspect of "paying" QH staff is accomplished successfully.

During the process of consultation with the Payroll Portfolio Executive Director, the Program Management Office (PMO) and PRP Program Director, KPMG were provided with a range of documents outlining the Payroll Portfolio governance arrangements.[49] These documents were analysed and discussed with Payroll Portfolio stakeholders (for further details on the documents reviewed in relation to governance, refer to *Appendix 1*).

Supporting the QH Payroll Portfolio are seven governance streams linked with the payroll Solution Deployment Life Cycle (SDLC).

These governance frameworks include:

- **Payroll Portfolio Steering Committee (PPSC)** provides a comprehensive overarching governance framework managing the strategic direction and payroll business requirements of the QH Payroll Portfolio ensuring business alignment. This framework, which is structured on better practice governance, includes elements that: endorse the Release management process; set the strategic direction for the key payroll elements; provide financial oversight; and ensure benefits realisation.
- **The Payroll Portfolio (office)** is the delivery arm of the PPSC. The Acting Deputy Director General Human Resource Services, who is the Senior Responsible Officer (SRO), is responsible through the governance framework of the Payroll Portfolio (office) for the execution and the delivery of the payroll portfolio blueprint.
- **Release Management Group (RMG) and the Release Working Group (RWG)** maintain a governance structure that ensures a comprehensive framework relating to application (system) Release management. The Acting Deputy Director General Human Resource Services is the chair of the RMG. The three working groups support the development of system requirements associated with – system performance management, deployment of workarounds and improvement in payroll performance. There is alignment with the CaRB ensuring that the planned Releases are successful from a technical deployed perspective.

[49] Source: Payroll Portfolio Governance Documents, Sourced April 2012

- **Queensland Shared Service (QSS) Change and Releases Board (CaRB)** provides approval for Releases and delivery gates and collaboratively engages with RMG and RWG to deliver the required Payroll systems.
- The **Payroll Release Program (PRP)** is core to tactical and operational success of the QH payroll. The Program provides analysis, articulates requirements, conducts User Acceptance Testing (UAT), provides system assurance, provides RMG secretariat, business transition and supports system Release management. PRP requirements are represented on the RMG and provide input to RWG. The artefacts developed are aligned to better practice, and are comprehensive in nature. It was identified that the artefacts are utilised at all level of payroll portfolio governance.
- **Technical Approvals Group (TAG)** supports Information and Communication Technology (ICT) Governance frameworks and works collaboratively with all working groups, PRP and CaRB. TAG provides technical advice and reviews.
- **The Program Committees** relate to individual delivery programs relating to identified and planned business requirements by the **PPSC** and the **Payroll Portfolio (office)**. **Solution Deployment Life Cycle (SDLC)** program and project management approach is aligned to industry better practice and Queensland Government Chief Information Office standard frameworks which are based on Managing Successful Programs (MSP®) and PRINCE2 for the management of the individual projects.
- **The Strategic Review Team (SRT)** is responsible for QH District representation on the payroll portfolio. The team provides business assurance and a change management focus relating to business processes. The team also provides advice and assurance on state-wide training and functional roll-out. The SRT terms of reference define roles and responsibilities, authorities and membership. The team is active in providing strategic and tactical advice to the Payroll Portfolio through the Executive Director and the Portfolio team.

The QH Payroll Portfolio Steering Committee has an established and effective governance framework, defined outcomes, linkages to working groups, reporting structures and defined roles and responsibilities. The governance framework has matured over the portfolio life cycle and especially in the last ten months with the engagement of professional executive staff who have taken ownership of the required business solution and actions to ensure that staff are successfully paid.

In particular, consolidation of payroll programs under a single portfolio has improved operational and strategic governance, inter-group communication and stakeholder engagement.

The Payroll Portfolio governance frameworks deployed are scalable, flexible and adaptable and, as such, will continue to evolve when the payroll operating and business model for the Hospital Board / Pay Hub environments are defined and deployed.

Notably, there is evidence that the governance framework for QH Payroll has addressed the 'Learnings' specifically outlined in Section 2.4 of the *Queensland Auditor-General's Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project* (an overview of which is provided above).[50]

[50] Source: Queensland Audit Office website, http://www.qao.qld.gov.au/report-no-7-for-2010

In summary, based on professional judgement, experience and technical knowledge, the formal and structured Payroll Portfolio governance frameworks currently in place are considered to be aligned to industry better practice and consistent with KPMG's expectations for the Program.

Insights into the likely future governance requirements for QH Payroll

As the portfolio continues its pathway to the 2017 environment, there will be a requirement for dedicated participation, renewal of focus and alignment by the PPSC to ensure the successful delivery of business outcomes.

From a portfolio assurance perspective, as the payroll portfolio pathway moves from predominately *defect* management to *system enhancement* and then *discovery of the next system to be deployed*, the governance roles and responsibilities need to be reviewed in the context of the new environments. Consideration should be given to the development and articulation of a suitable operating and business model for the Hospital Board environment. This will drive the design of systems and will impact the governance frameworks, transition plans and cost.

At the program release level, the governance structure should continue to maintain the collaborative relationship between the Release Management Group, Release Working Group and QSS Change and Release Board (CaRB).

For new programs and projects within the Payroll Portfolio, consideration should be given to deploying the robust approach of the Payroll Portfolio relating to governance frameworks, documentation, planning and quality management. With the proposed actions to remediate the identified portfolio issues there will be a requirement for increased emphasis on organisational change, user training, operating structure and system support.

In addition, the Payroll Portfolio governance frameworks need to be reflected in the current QH financial system upgrade (known as SAPFIR Upgrade) program of work as there is a dependency with the finance system on the payroll system. The governance framework adopted and deployed by the Payroll Release Program (PRP) should be embraced for all projects that are part of the Payroll Portfolio.

As identified by the Queensland Auditor-General and in line with the Queensland Government project management methodology, it would be appropriate for a program of the scale, complexity and risk profile of the QH Payroll to implement mechanisms for the program to undergo periodic review. This periodic review would take the form of staged 'gating' at key stages during the program lifecycle to assess ongoing program viability, benefits realisation and assess the effectiveness of program processes in managing risks, issues, benefits, program management activities and lessons learnt.

5 Recommendations and next steps

Based on the analysis and consultation performed to date, the following recommendations are proposed for QH:

Forward strategy for payroll system

1. As a priority, identify, document and communicate the future payroll operating and service delivery models to be used by QH. These need to take into account the impact of the move to the Hospital Boards model.
2. Develop a list of prioritised payroll projects to implement the above models and design a detailed schedule that takes into account the combined impacts of the projects to ensure that the impact on staff is minimised. In particular, there is a need to:
   - Expedite approval to lift the current moratorium on QH-instigated recovery of overpayments and commence processes to recover overpayments;
   - Expedite approval to implement the change in pay date and commence processes to implement the change in pay date;
   - Take proactive measures to further reduce the degree of retrospectivity built into current QH payroll processes by implementing a change program to significantly reduce the window for lodging historical payroll forms.
3. Initiate the proposed study to determine future business requirements and options regarding an upgrade (or reimplementation) of SAP and the awards interpretation engine. As part of this planning activity, it would be appropriate to approach the broader external market to explore other systems available to QH including associated costs, benefits and risks. It may also be appropriate to engage with a wider group of stakeholders across government including the Queensland Government Chief Information Officer regarding the proposed scope and approach of such a market scanning initiative.
4. Initiate work on investigating the electronic rostering system options, focussed on scalability, ability to interface with SAP and the longer-term vision for the time and attendance business process for QH.

Governance and decision-making

5. Make key decisions to implement the go-forward strategy that underpin the six key improvement projects focused on changes to current business approaches and systems architecture. The aim of these improvement projects will be to realise improvements in payroll performance including accuracy, timeliness, reductions in manual data entry and retrospectivity.
6. Continue with the current governance framework for the payroll portfolio. The governance structure should include:
   - The current committee structure and associated membership;
   - Engagement of key senior leaders; and
   - Clearly defined roles and responsibilities.

It is also important to recognise that as the payroll portfolio evolves, the governance roles and responsibilities will also need to adapt to ensure the appropriate levels of governance are maintained.

7. Maximise the available 'windows' for system enhancements or fixes through developing a 'forward plan' for system enhancements and changes that can then be managed by the RMG.

8. Adopt an enterprise framework for portfolio / program governance such that there is a clear link between Payroll Portfolio Governance and the QH financial system upgrade (SAPFIR Upgrade) given there are interdependencies between the finance and payroll systems.

9. Ensure that the division of responsibility for Release content and technical deployment remains in place and that this is independent of any organisational or reporting relationship changes across QH and QSS.

10. Engage the services of an independent third party to undertake independent assurance activities across the major programs of work that constitute the payroll portfolio. In line with the Queensland Audit Office recommendations, assurance for the QH Payroll Portfolio should include the implementation of a periodic review process. This period review would take the form of staged 'gating' at key stages during the program lifecycle to assess ongoing program viability, benefits realisation and assess the effectiveness of program processes in managing risks, issues, benefits, program management activities and lessons learnt.[51]

People and change

11. Implement a stakeholder engagement program across QH that focuses on:

    - Communicating the way forward in terms of the operating and service delivery model; and
    - Building trust in the payroll process through demonstrating consistent, measureable improvements in performance, transparency in decision making and demonstrating tangible benefits to staff and line managers through changes in payroll business processes and ways of working.

    There is a clear need to demonstrate to line managers and staff what the benefits of specific improvements to the payroll and rostering processes will be from their perspectives as end-users.

12. Ensure that any changes to business approaches or systems architecture which impact on staff are supported by a comprehensive change management and communications approach that considers the potential impact on frontline staff of the sequencing of change activities.

13. Defer any significant disruption or organisational changes to key payroll functions (including QSS) until there is greater stability in the payroll system and performance improvements have been demonstrated.

14. Commence work on exploring opportunities to simplify the current awards structure across QH. Whilst it is recognised that simplification of the current awards structure would require a Whole of Government approach, it is well recognised by key QH Payroll stakeholders that

[51] Source: QAO Report to Parliament No. 7 for 2010, Information systems governance and control, including the Queensland Health Implementation of Continuity Project

the current complexity of the industrial environment for QH is having an ongoing significant impact on payroll performance as it has contributed to payroll administrative costs and system customisation. Regardless of any improvements that can be made to the QH payroll system and associated business processes, the complexity of the award conditions will continue to have an impact on overall performance.

Funding

15. In communicating the key costs of the QH payroll project, it is important to distinguish between the following key cost drivers:

    - 'BAU' costs to deliver the minimum requirements associated with the production of the QH payroll each pay period;
    - system maintenance and defect rectification;
    - system enhancements; and
    - 'discretionary' improvement projects.

16. The funding envelope for QH payroll currently includes funded and unfunded components with a significant proportion of these components representing 'committed' expenditure based on current system requirements and the need to invest in ongoing improvements to maintain and / or improve system performance. Stakeholders would benefit from greater visibility of the funding shortfall between what has been committed versus what has received funding allocations to assist with determining the priority for future spend and value for money assessments.

17. When considering the business cases for specific improvement projects and initiatives in relation to QH payroll, it is imperative that adequate focus is given to quantifying the tangible benefits to be gained from each initiative so this can be considered in the context of the significant costs involved and the costs incurred to date.

6 Disclaimers

Inherent Limitations

This report has been prepared as outlined in the "Introduction and overview of the current review" section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed. Any use of the words "audit" or "review" in our engagement contract or in this report should not be taken to imply otherwise.

We have not compiled, examined or applied other procedures to the forecast information prepared by QH in accordance with Australian, or any other, auditing or assurance standards. Accordingly, we do not express any opinion as to whether the forecast costs set out in this report will be incurred as set out, or whether any assumptions underlying those forecast costs are reasonable. We do not warrant or guarantee any statements as to the future costs. There will usually be differences between forecast or projected and actual results, because events and circumstances frequently do not occur as expected or predicted, and those differences may be material.

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 management and stakeholders consulted as part of the process.

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

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

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

Third Party Distribution and Reliance

This report is solely for the purpose set out in the "Introduction and overview of the current review" section and for Queensland Health's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

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This report has been prepared at the request of Queensland Health in accordance with the terms of KPMG's engagement letter/contract dated 2 May 2012. Other than our responsibility to Queensland Health, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.

7 Appendix 1 Source Documents

Details of source documents reviewed

1. Queensland Health Audit Committee: Quarterly Payroll Audit Report for April 2012
2. Queensland Health Quarterly Audit Committee Report – February 2012
3. Queensland Health Audit Committee: Quarterly Payroll Report –October 2011
4. Auditor-General Report to Parliament No. 7 for 2010: Information systems governance and control, including the Queensland Health Implementation of Continuity Project – June 2010
5. Payroll Portfolio Governance
    a. Release Management Group Terms of Reference
    b. Principles of RMG as tabled at the PPSC on 16 February2012
    c. Strategic Review Terms of Reference – current TOR
    d. Strategic Review Team Terms of Reference – draft going forward – pending approval of new governance arrangements
    e. Strategic Review Team Minutes of the meeting of 2 February, 2012
    f. PPSC Terms of Reference – draft TOR
    g. PPSC Papers 31 January 2012
    h. PPSC Minutes for 31 January2012
    i. PPSC Papers for 16 Feburary2012
6. Payroll Release Program documents
    a. Governance Framework
    b. Quality Management Framework
    c. Terms of Reference for Working Groups
    d. Prioritisation and Forward Plan
    e. Release Minutes and Status Reporting
    f. Release Reports
    g. Release Working Papers
7. Payroll Portfolio Strategies: Project / Initiative Definitions -24 April 2012
8. QSS, Known Issues Report - 2 May 2012
9. Additional financial data as provided by Payroll Portfolio Team - May 2012
10. QH Internal reporting documentation on payroll, sourced April 2012

11. Queensland Nurses Union Re: Proposed way forward for Queensland Health Payroll - 9 December 2011
12. Ernst & Young Review of Payroll and Rostering Solutions - September 2010
13. Ernst & Young Payroll Foundation Program (PFP) Review Final Report - June 2011
14. Ernst & Young Payroll Improvement Program (PIP) Review Final Report - June 2011
15. Ernst & Young Interim Pain Point Assessment - October 2011
16. Ernst & Young eRoster Benefits Study -27 January 2012
17. Ernst & Young eRoster Pilot Site Benefits Phase 3 Report: Royal Brisbane & Women's Hospital (RBWH) - March 2012
18. Ernst & Young Review of the Early Deliverables Trial Draft - 29 March 2012
19. Pricewaterhouse Coopers Shared Services Review – September 2010
20. Pricewaterhouse Coopers Leave Balance Review Phase 1- 10 March 2011
21. Pricewaterhouse Coopers Leave Balance Review Phase 2 -22 June 2011
22. KPMG, Queensland Health Payroll Update – August 2011
23. KPMG, Interim Queensland Health Payroll Action Plan Update – October 2011

8 Appendix 2 Glossary of Terms

Term	Definition
BAU	Business as usual
CaRB	Change and Releases Board
CBRC	Cabinet Budget Review Committee
Corporate	QH Divisions (i.e. Finance, Human Resources, IT functions)
CPI	Consumer Price Index
FBT	Fringe Benefit Tax
FTE	Full Time Equivalent
ICT	Information and Communication Technology
MSP®	Managing Successful Programs®
PMO	Program Management Office
PPSC	Payroll Portfolio Steering Committee
PRINCE2	Projects In a Controlled Environment
PRP	Payroll Release Program
QH	Queensland Health
QH HR	Queensland Health Human Resource Services
QSS	Queensland Shared Services
Releases	Payroll system enhancements
RMG	Release Management Group
RWG	Release Working Group
SAPFIR	QH Finance System FAMMIS Upgrade
SDLC	Solution Deployment Life Cycle

Term	Definition
SITIA	Department of Science, Information Technology, Innovation and the Arts
SRO	Senior Responsible Officer
SRT	Strategic Review Team
TAG	Technical Approvals Group
The current review	KPMG review of payroll and rostering system at Queensland Health
UAT	User Acceptance Testing

9 Appendix 3 Queensland Health Payroll Timeline

No.	Term	Definition
1	**Payroll Stabilisation Project (PSP)**	Established on 19 April 2010 to identify and implement strategies to stabilise the new payroll system. The project encompassed four pieces of work: district and division business processes, payroll processing, payroll system, and support and communications.
2	**Payroll Improvement Program (PIP)**	Established in July 2010 to build on the work of the PSP and to oversee the implementation of the new payroll operating model. The program was also responsible for establishing an end to end personalised service model in all districts and payroll hubs. PIP was also responsible for overseeing the reduction in the backlog of payroll forms processing, system defect fixes, and system releases.
3	**Payroll Release Program (PRP)**	Established in late 2010 to continue on the work of the Queensland Health Implementation of Continuity (QHIC) project, which provided the QH support for the payroll system implementation. The QHIC was transitioned to the PRP to provide a thorough change control and gating process to oversee changes to the system in production. In addition to system fixes, PRP is also responsible for a number of BAU activities such as security updates and system maintenance as well as system changes to support new industrial agreements.
4	**Payroll Foundation Program (PFP)**	Established in November 2010 to deliver on the seven operational pain points identified by Ernst & Young in their September 2010 review of system sustainability. PFP included 2 phases of work that focus on improving the business process and functionality of the payroll and rostering system and delivering additional functionality.
5	**Payroll Portfolio (PP)**	Established in September 2011 to form a single portfolio of payroll related programs and projects. The Payroll Program, PFP, PRP, and Payroll and Establishment have all transitioned to the PP.

Appendix 3: Queensland Health Payroll Timeline