Queensland Health Payroll

Queensland Health Payroll: How a A$6.19 Million Contract Developed Into a Major Public-Sector IT Failure

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Key Facts

Cost: A$1.25 billion (estimated total cost of ownership, attributed to Queensland Government/KPMG estimates)

Date: Contract December 2007; go-live 14 March 2010; Commission of Inquiry report July 2013

Category: Governance

Executive Summary

In December 2007 the State of Queensland signed a fixed-price contract worth A$6.19 million with IBM Australia to replace Queensland Health's ageing payroll system. When the system finally went live on 14 March 2010 - after ten failed attempts - it produced roughly 35,000 payroll anomalies, leaving thousands of nurses, doctors and health workers underpaid, overpaid or not paid at all. The 2013 Commission of Inquiry, chaired by the Honourable Richard Chesterman QC, found catastrophic failures in procurement, contract management and governance, describing the episode as a catastrophic failure of public administration. Operating and remediation costs pushed the estimated total cost of ownership towards A$1.2 billion or more - a figure attributed to KPMG reviews and subsequent Queensland Government estimates. This investigation reconstructs, from the Commission's report and the Auditor-General's findings, how a routine systems replacement became a case study in institutional failure. No other failed government IT project has left so complete a sworn public record.

Executive Lessons

- A Fixed Price for an Undefined Scope Is a Dispute Deferred

IBM's A$6.19 million fixed price bought a project with no settled statement of work. The low number did not transfer risk - it concealed it. If you cannot define the scope, you cannot fix the price; you can only schedule the argument.

- Never Let a Vendor's Support Deadline Set Your Schedule

The July 2008 expiry of LATTICE support dictated Queensland's timeline and severely weakened its negotiating position. The deadline was known years in advance. Managing legacy end-of-life is a governance task, not an IT detail.

- Probity Is Not Bureaucracy - It Is the Control That Fails Last

The Commission found the evaluation was not administered properly: no probity advisor at key stages, no conflicts register, shifting criteria. When procurement discipline is skipped, every downstream decision inherits the contamination.

- One Owner, One Accountability

Responsibility split across Queensland Health, CorpTech and IBM meant each party could believe risk sat elsewhere. Complex transformations need a single empowered owner with authority over both the business and the contractor.

- A Coerced Go-Live Is a Governance Failure, Not a Launch Decision

The system went live with known serious defects because there was no fallback. When 'we cannot go back' becomes the argument for going forward, governance has already failed - months earlier.

- Test Evidence Must Outweigh Deadline Pressure

User acceptance testing documented serious defects before March 2010. The decision to proceed prioritised the deadline over the evidence. Organisations need pre-agreed, evidence-based go/no-go criteria that schedule pressure cannot override.

- Count Total Cost of Ownership, Not Contract Price

The project was judged, bought and defended on a A$6.19 million contract figure. The real cost - over A$100 million to go-live and an estimated A$1.2 billion-plus to own and operate - lived outside the number anyone was managing.

Timeline

- 2003: Queensland Government launches the whole-of-government Shared Services Initiative to standardise HR and finance systems on SAP
- 2005: Queensland Treasury begins whole-of-government SAP implementation with external consultants; progress

stalls while costs mount
- 2007: Kelliher review finds the shared services programme significantly behind schedule; government decides to appoint a single prime contractor
- December 2007: IBM Australia appointed prime contractor; fixed price of A$6.19 million for the Queensland Health payroll system, delivery promised by July 2008
- July 2008: Vendor support for the legacy LATTICE payroll system expires; contracted delivery date passes without a working system
- October 2008: Whole-of-government rollout abandoned; IBM's contract rescoped to Queensland Health payroll only; costs already far beyond the fixed price
- 2009: Repeated failed go-live attempts; user acceptance testing identifies serious defects; amounts paid to IBM exceed A$37 million against the A$6.19 million fixed price
- 14 March 2010: Payroll system goes live; roughly 35,000 payroll anomalies follow - thousands of staff underpaid, overpaid or unpaid
- May 2010: KPMG conducts implementation reviews; Auditor-General reports to Parliament (Report No. 7 for 2010) on information systems governance
- 2010: Bligh government settles with IBM, releasing it from further claims; Health Minister Paul Lucas resigns over the affair
- May 2012: KPMG review records operating costs exceeding A$400 million, with A$385 million more estimated over five years; system requires 1,000+ payroll staff
- 13 December 2012: Newman government orders a Commission of Inquiry under the Honourable Richard Chesterman QC
- 31 July 2013: Commission report tabled: procurement, contract management and go-live decision heavily criticised; affair ranked in 'the front rank of failures in public administration'; IBM banned from new state contracts
- 2013 onwards: Remediation and elevated operating costs continue; total cost of ownership estimated at A$1.2-1.25 billion (attributed estimate); payroll stabilised with hundreds of additional staff

Sources

- Queensland Health Payroll System Commission of Inquiry - Report (Chesterman Report) (Queensland Government, July 2013)
- Report to Parliament No. 7 for 2010: Information systems governance and control, including the Queensland Health Implementation of Continuity Project (Queensland Audit Office / Auditor-General of Queensland, 2010)
- IBM Sued Over Queensland Health Payroll System Debacle (IEEE Spectrum, June 2013 (updated))
- Learning from the Qld Health payroll fiasco (InvestSMART, 20 June 2013)
- Situational incompetence: an investigation into the causes of failure of a large-scale IT project (PhD thesis on the QH payroll inquiry evidence) (RMIT University, 2015)
- Case Study 9: The Payroll System That Cost Queensland Health AU$1.25 Billion (Henrico Dolfing, 15 December 2019)
- Queensland Health payroll replacement: project and post-go-live cost analysis (University of Canberra (open research repository), 2019)