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09/06/2015

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pp 00434-00483

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INDEPENDENT COMMISSION AGAINST CORRUPTION

THERESA HAMILTON ASSISTANT COMMISSIONER

PUBLIC HEARING

OPERATION VIKA

Reference: Operation E14/0418

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY

ON TUESDAY 9 JUNE, 2015

AT 2.15PM

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This transcript has been prepared in accordance with conventions used in the Supreme Court.

ASSISTANT COMMISSIONER: Thank you. Please be seated.

MR KATEKAR: Commissioner, you will see that Deputy Commissioner Robin Rogers is in the box. Before I ask Mr Rogers to be sworn in I just need to tell you one small matter of housekeeping. The representatives of the Rural Fire Service and me have had a conversation just before you came to the bench that there's going to be a series of documents to be tendered, some of them were annexures to the responses and some fall into slightly different categories. In order to save the Commission's time at the hearing this afternoon what's going to be done is that overnight there'll be a folder prepared with an index and we'll seek to have that tendered as separate exhibit rather than a series of separate exhibits. Is that convenient to the Commission?

ASSISTANT COMMISSIONER: Does that envisage we'll still be here tomorrow?

MR KATEKAR: Well, we're hoping not but it's part of the process of seeking to achieve that.

ASSISTANT COMMISSIONER: Yes, all right.

MR KATEKAR: Otherwise, ready for Mr Rogers to - - -

ASSISTANT COMMISSIONER: Yes, Ms McGlinchey.

MS McGLINCHEY: Commissioner, Deputy Commissioner Rogers seeks a declaration and will give his evidence under affirmation.

ASSISTANT COMMISSIONER: Affirmation. Thank you.

Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by this witness and all documents and things produced by him during the course of his evidence at this public inquiry are to be regarded as having been given or produced on objection. There is no need for the witness to make objection in respect of any particular answer given or document or thing produced.

**PURSUANT TO SECTION 38 OF THE INDEPENDENT COMMISSION AGAINST CORRUPTION ACT, I DECLARE THAT ALL ANSWERS GIVEN BY THIS WITNESS AND ALL DOCUMENTS AND THINGS PRODUCED BY HIM DURING THE COURSE OF HIS EVIDENCE AT THIS PUBLIC INQUIRY ARE TO BE REGARDED AS HAVING BEEN GIVEN OR PRODUCED ON OBJECTION. THERE IS NO NEED FOR THE WITNESS TO MAKE OBJECTION IN RESPECT OF ANY PARTICULAR ANSWER GIVEN OR DOCUMENT OR THING PRODUCED.**

ASSISTANT COMMISSIONER: Could the witness be affirmed please.

ASSISTANT COMMISSIONER: Thank you. Yes, Mr Katekar.

MR KATEKAR: Deputy Commissioner, outside of a section 44 environment you have a general delegation in relation to approving expenditure. You agree?---Yes.

10 And are you a – on that level a director with a limit of 150,000?---Correct. Yeah.

But during a section 44 environment there's no limit on your - - -?  
---Correct.

Correct?---Yes.

Next topic, in the invoice approval domain for section 44 invoices it passes through various sets of hands before something might get to you?---Yes.  
20

Including it might go from Logistics and then Mr Yorke might sign it if it's within his area of delegation - - -?---Yes.

- - - under section 44. You agree?---Yes.

But that if it's above his area of delegation it might then go to you?---  
Correct.

30 Agree. And now I just want to show you something. Could the operator go to I think it's volume 10, volume 10, page 50 and this – while it comes up you'll undoubtedly recognise that it's an invoice dated 17 December, 2014 and it's one of the invoices that was issued under the fateful, if I could call it that, 100,000 purchase order - - -?---Right.

- - - for snack packs at the end of last year. There was the purchase order – the Logistics request was raised in 4 August and then there was a series of invoices, the first being 29 September. This one, for example, comes – is a \$319,000 invoice of 17 December, 2014. The purpose of me doing this is to draw your attention to a couple of things. There is no stamp on this one and  
40 is the Commission to understand that this is because by this stage the Dataline program had been operational?---It could be, yes.

It could be. Well, I'll show – if the operator could go through. The next page is, is, is some – I think actually at the top it's got a datalineservices.com.au line right at the top. You possibly can't see that. Right at the top?---Yeah, I see that from that system now.

So this is, this is a Dataline approval screen?---Yes.

You agree?---Yes.

And then if the operator could go through to page 50 to the next page. There's, there's an allocated to Steve Yorke and its approval required by Rob Rogers. That should have there for 6, no, 8 January, 2015. So it would then go to you. Is that right?---Correct.

10 And through some electronic means it comes up and you need to approve it?---Yes.

Okay. Before I ask you the next question, when something is – you are asked for approval against an invoice what's the procedure that you adopt prior to approving it?---I would look and see that it has a section 44 reference number. I don't necessarily know exactly those numbers but I, I make sure that it's related to a section 44. I see that it's been approved by the purchasing section or the State Logistics section. And I see that Mr Yorke has approved it.

20 So if it goes through those sets of hands - - -?---Sure.

- - - and it's a section 44 and it's within, well, you don't have a limit on your authority, you consider – you should be able to approve it?---Providing it seems reasonable. And I do also look at the, the reasonableness of what's being put before me.

Yes. Which is - - -?---I mean if it was something ridiculous of course I would, I would not approve it.

30 Which is really the purpose of sending it to you with your level of – you agree – of delegation that you are asked to look at it to make sure that it's an appropriate expenses for the Rural Fire Service. You agree?---Given what we're either dealing with or have dealt with. Because bearing in mind that I see these sometime after the event. I don't see them up front. So I'm looking in – looking behind as what's happened.

40 And if you weren't sure you might ask questions?---Yeah. Mr Yorke and myself may discuss things if I'm unclear of something. I mean it's not always that I talk to him but there has been occasions where I've asked him about a particular invoice just to make sure that we're all on the same page.

Of course. My question – I need to ask this. You probably – as you probably know – do you remember approving this invoice?---I don't remember it but I accept that I have given the data that's there.

I just needed to ask whether you did or didn't?---Yes, certainly.

I don't expect you to but I do need to ask?---Yes.

Because if the next – if the operator goes to the next page and this is what I want to ask you about. It's really about – what this screen indicates is that it's for a snack pack pre-season order. My question really is this that – do you agree that the section 44 procurement procedure is for emergency purchases? Would you agree with that?---Yes.

10 And that as pre-season order is not necessarily an emergency purchase?---  
It's not necessarily but it's, it's my understanding also that there is  
indications earlier in the year that we may well purchase things to give a  
heads up to companies that we may look at a longer term, you know, like a  
quantity that can be delivered at various times throughout the year and in  
which case they may need to be invoiced at the time because they would  
need to be processed then and there.

You will agree with me that there's, there's a – the Rural Fire Service was accredited for its general procurement procedures last year?---Yes. Yes.

20 Up to \$20 million?---Yes.

But that that accreditation process did not apply to section 44 procurement?  
---Correct.

And section 44 procurement is an abbreviated procedure. You agree?---  
Yes.

Designed to make sure that, that goods are required with sufficient speed to get them to the areas of need. Agree?---Yes.

30 And I guess really my direction of my question is, do you agree that  
something acquired prior to the commencement of the fire season should not  
be acquired under a section 44 procurement procedure?---I agree with that,  
yes.

And this was sent to you on 8 January, 2015 and so whereas this may say  
pre-season order is one explanation for your approving it that it may have  
been something that came up during the course of a section 44 event which  
meant that it was required urgently?---Correct.

40 And so - - -?---And as I say, I mean I'm, I'm only hypothesising there. I'm  
not, I'm not saying because I don't exactly remember this invoice but I'm  
suggesting that could have been the case.

Yes. Okay. Because the direction of my questions today to you and to  
others is about process really?---Sure.

That, that if, that from the Commission's point of view when it sees a pre-season order under a section 44 process it immediately considers there's a mismatch between the procurement procedure and the – and, and - - -?  
---Understandably, yeah.

You're aware of that?---Yes.

You understand that anyway?---Yes, I do.

10 And that, and that's it's worthwhile considering splitting up the urgent purchases - - -?---Ah hmm.

- - - on the one hand and then on the other hand, the process for obtaining things in advance to be used in an emergency?---Absolutely.

Do you agree with that?---Yeah, and I think obviously that's an acknowledged point - - -

20 Yes?--- - - - inasmuch as we've stopped that process completely.

Yes, I accept that. That's really why I went, I went there. This is, this is one document shown as being, having been approved by you in the January - - -?---Ah hmm.

- - - so in the middle of a fire season, but it does say pre-season - - -?---Yes.

- - - and so I just wanted to explore that issue with you?---Understand.

30 Yeah. And I probably don't need to go back there, were you in, you in the Commission earlier today when Mr York was being examined?---I was.

Yeah, about the, the documents from October 2013 about replenishment and stock. Remember that?---Yes.

But it was in October 2013 when there were several fires in the Blue Mountains. You accept that?---In a very busy period.

40 And it could well have been rather than a stocking up, a matter of obtaining stock for a number of legitimate purposes which were urgent at the time.  
Do you agree with that?---Given we had a lot of base camps around at that time, there was a lot of need for those sort of snack pack items and water, so yes, that's quite a distinct possibility.

Yes. So that a Logistics order of that kind at that time would not have necessarily raised any concern in the minds of - - -?---Correct.

- - - someone like you or, or Mr, Mr York sitting in the position of State Operations Control - - -?---Correct.

- - - and having regard to what was happening at that time?---Yes.

And I explored this briefly with Mr York right at the end, you may have heard it, that, that it is – and I used this is expression – less than ideal for a person sitting in Mr York’s position to be given a Logistics request with the quantity in blank. Do you agree with that?---Agree.

10 Because that puts Mr York or the State Operations Control in a position of disadvantage in understanding exactly what’s being approved?---Ah hmm.

Do you agree?---Yes.

But, but the Logistics officer might not know exactly what’s required at the time, you agree?---Yes.

20 So that some, some though could usefully go into trying to solve that potential difficulty because a blank Logistics request then puts the Logistics officer potentially in a position of having unlimited authority in that domain. Do you agree with that?---Yes, I agree.

Which is undesirable. You agree?---Yes, yes.

All right. Excuse me. Yes, no further questions.

ASSISTANT COMMISSIONER: Thank you. Does anyone seek to cross-examine this witness?

30 MR MOSES: Yes.

ASSISTANT COMMISSIONER: Yes, Mr Moses.

MR MOSES: Thank you, Assistant Commissioner.

40 Deputy Commissioner, can I just show you this document. It’s a memorandum of 19 March, 2015 from the Commissioner of the Rural Fire Service to the Executive Director of Operations and others. I can indicate this is one of the bundle of documents that we’ll be seeking to tender through so it’s not necessary to take it out?---Thank you.

And that’s for the Commissioner.

Counsel Assisting asked you some questions in relation to the use of section 44 to deploy the purchase orders - - -?---Yes.

- - - as a pre-emergency situation, and I think you’ve said that’s now been changed or dealt with. Is what you were referring to this memorandum that was issued by the Commissioner on 19 March, 2015?---That’s correct.



And that sets out the limitation that is now in place in respect of the use of emergency orders?---Correct.

And also the change to emergency order processes?---Yes, that's correct.

Thank you. Now, in relation to the question of the receipt of goods that come in in relation to a section 44 event - - -?---Yes.

10 - - - if we could get to the nub of the issue. In respect of goods that are purchased or sourced in respect of a section 44 event, there are I assume two places where the ordinarily would go, firstly to the warehouse at Glendenning - - -?---Correct.

- - - for them then to be subject of despatch from there. Correct?---Correct.

20 And the second area is directly to the frontline, if I can call them troops, where the fire hazard is. Correct?---Either the Incident Management Team closest to the fire or indeed a staging area closer again to the fire where troops are assembled.

And in statement that you've prepared for the Commission - - -?---Yes.

30 - - - what you sought I think to make clear fairly is that when we are despatching goods to the field sometimes it is not possible to do a stocktake of the goods because they need to be given to the volunteers immediately in order to ensure that dehydration does not occur?---I think that's correct. As well as avoiding dehydration also that the time that we have those firefighters down on a break we need to minimise it and get them back to obviously protecting homes so it is very important to get those things distributed very quickly.

And of course you don't have time to spend two hours doing stocktake over how many bottles of water or nuts you've got?---No.

No?---Because there's normally multiple staging areas where brigades would be and we need to make sure that they get distributed as soon as possible.

40 So in the real work sometimes it's not possible to precisely account for consumables and other material deployed during a section 44 event?---In those sort of circumstances to staging areas I think it would be very problematic. Others then of course we should and, and would.

And in relation to the warehouse for instance, we now have a warehouse policy that has been instituted, that's come into effect operationally from 1 June?---Yes. Correct.

And that is meant to plug one of the holes which is receipt for goods that are delivered to the warehouse in respect of for instance, as an example, the snack packs. Correct?---Correct, as well as also about the numbers that need to be ordered to maintain stock there because I think it also talks about maintaining stock levels at the warehouse and, and how that's derived rather than someone just simply developing a number.

10 And in terms of the – just if I can put it, terms of the general issue here concerning what was said to be the control weakness, there were three points in summary if I can outline them that related to the control weakness. Firstly, we had the individual packing initiating the request for the procurement of goods. Correct?---Correct.

Secondly, we had Hacking purchasing those goods or sourcing them. Correct?---Correct.

And thirdly, there was a failure to properly receipt goods that were coming into the warehouse. Correct?---Correct.

20 To show that what was delivered was what we had paid for. Correct? ---Exactly. Yes.

And what has now been corrected is to ensure that the person who is initiating the request is not somebody from Logistics. Correct?---That's correct.

And in respect of the third area, being the receipt of goods, we now have the warehouse policy in place?---That's correct.

30 Yes. Thank you. Now, can I just ask you some general questions if I can in relation to the predictions relating to a fires season. In your experience it's fair to say that predicting whether a fire season is going to be one that is worse than average is a difficult assessment to be made. Correct?---That is correct.

And sometimes we get it wrong?---Certainly. We rely on the advice of the Bureau of Meteorology and our own opinions and sometimes they don't come to fruition.

40 Yes. But our job is to be prepared, that is of the Rural Fire Service for all contingencies?---Well, exactly. We, we like to – we plan for the worst and obviously hope for the best.

And in terms of the materials, if I can just – just so we have this on the record, there are a number of documents that are referred to in your, in your evidence. One of them is the maintaining hydration on the incident ground which is a draft working document by the Australian Fire and Emergency Services Authorities Council and what that sets out is guidelines for various

firefighting authorities to comply with in respect of sustenance and the like and should be made available for emergency workers?---Correct.

And that is direct complying with the obligations of the Rural Fire Service and it's officers under the Work Health and Safety Act?---Absolutely.

10 Which can pose criminal penalties upon the Rural Fire Service and its officers should there be a breach of that Act by the failure to provide proper hydration to individuals who are performing front line work?---That's correct.

And the other document is the – a document dated 11 May, 2015 which is an update on sustenance procurement solutions which is a comparator document of various matters concerning procurement strategy?---Yes. I'm aware of that document.

20 And it also attaches, also, that also refers to the fire ground sustenance which is the options for supply of stable snacks and meals to the Rural Fire Service?---Correct.

And that again is a document that we would regard to be commercial in confidence because of a comparison of snack packs and other meals that are provided there in the market by service providers?---Exactly.

Okay. And they're areas which are actively being looked at the moment by the Rural Fire Service?---Absolutely. We have new arrangements in place through contract for the upcoming fire season.

30 That is through the CFA in Victoria?---Exactly.

To in effect, contract off the back of their contract with (not transcribable) until you can put in place a supply service for the Rural Fire Service? ---Exactly.

Thank you, Commissioner.

40 ASSISTANT COMMISSIONER: Thank you, Mr Moses. Does anyone else wish to examine this witness? No. All right. Thank you for your attendance, you're now excused.

**THE WITNESS EXCUSED**

**[2.37pm]**

MR HARRIS: Commissioner, for Mr Parnaby, Harris.

ASSISTANT COMMISSIONER: Yes, Mr Harris.

MR HARRIS: He does seek the section 38 declaration, thank you and I just foreshadow he'll give his evidence pursuant to an affirmation.

ASSISTANT COMMISSIONER: Thank you. Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by this witness and all documents and things produced by him during the course of the his evidence at this public inquiry are to be regarded as having been given or produced on objection. There is no need for the witness to make objection in respect of any particular answer given or document or thing produced.

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ASSISTANT COMMISSIONER: Could the witness be affirmed please.

ASSISTANT COMMISSIONER: Yes, Mr Katekar.

MR KATEKAR: You're Group Assets Manager, is that your - - -?---  
Director of Assets and Infrastructure.

10 Director of Assets and - - -?---Recently we had a change back in March  
along with the GSE Act.

So for the period from 2012 to end of 2014 what was your position?---  
Group Manager Assets and Infrastructure.

20 And what were your responsibilities in that position?---In that role I look  
after procurement; I look after building management; I look after building  
projects, the building of the fire control centres at stations; I look after  
research and development; I look after radio communications and I look  
after the radio replacement project and for the last six months being early  
stages of the head office relocation.

What about Logistics, did you have any, have any oversight in relation to  
the Logistics function?---No. Not greatly.

Well when you say not great, Mr Springett reported to you?---Yes, he did.

And Mr Hacking reported to Mr Springett?---Yes, he did.

30 And both of those had performed functions in Logistics during section 44  
events?---Correct.

And did you have any line management responsibility for what was  
happening in the Logistics function during a section 44 event?---Only in the  
sense that I would ensure that it was appropriately staffed. I didn't actually  
plan a role in the actual Logistics component of the operation at the time.

40 Right. And you may have seen that there's evidence before the Commission  
that in 2012/2013 and then in 2013/2014 there were purchases of snack  
packs which were substantially greater than in previous years. Do you  
accept that?---Correct.

Did you notice that at the time?---I'd have to say no.

No. And why, I guess it's not a criticism, I just need to understand as far as  
financial reporting functions are concerned, did those – is this right, that you  
weren't given access to the figures that were of the amount of expenditure  
for section 44 events?---Correct, I was – yes, correct.

You weren't given them?---No.

No, right?---In essence my role from procurement on a day-to-day basis, I would have direct workings with, with Paul predominantly and also Mr Hacking from different times. Generally speaking when it come to the operational Logistics side of things, that would occur predominantly through the operations element of the organisation, being that of, up through Steve York and - - -

10 Oh, I see?--- - - - that side of the business.

Different area?---It's a different directorate, so generally speaking my role very much involved in day-to-day Logistics or day-to-day Procurement, but in the operational Logistics the, the work, that generally worked around the operations side.

All right. Okay. All right. Next I want to just talk to you briefly about telephones. Up to the end of the 2014 you're aware that Mr Hacking did two things, he obtained, according to the evidence anyway, he obtained  
20 some mobile phones directly from – I can't remember the name of the company but purchased some mobile phones through legitimate means for the RFS. Accept that, do you agree with that?---Yes, I do.

And then otherwise obtained some mobile phone handsets and other things through the SAARC fund, the SARC fund. Are you aware of that?---Yes.

And gave some of those away to family and friends?---I understand that's the case.

30 Right. Now, firstly was the, is the mobile phones and iPads your area of asset management?---Yes, it is.

Yeah. And how, up until the end of 2014, were those assets administered within the RFS?---My understanding at the time - - -

Yes?--- - - - is that John Hacking was, was pretty much the sole person who administered the mobile phones, iPads et cetera and basically maintained a spreadsheet and provided those phones out to people as required, but those phones weren't just given to somebody who would walk along, you would  
40 actually need a request signed off by your respective manager to obtain one of those phones. If for example that phone was to fail you would go and see John and John would provide you with another phone which again I assumed that those IMEI numbers were being recorded on a spreadsheet.

So you assumed that Mr Hacking – is this right, you assumed that Mr Hacking, when he got something in from the supplier, would take a record of it and keep control of that stock - - -?---Correct.

- - - through his spreadsheet?---Correct.

But that if something didn't go onto his spreadsheet you wouldn't know about it but that was Mr Hacking's responsibility?---Correct.

But that he took advantage of the responsibility he was given by excluding some handsets from that spreadsheet. Is this right?---I can only assume that's the case.

10 You can only assume that that's the case?---Yes.

What about, so is this right, if somebody came along from within the organisation and wanted a handset, would it come out of that person or area's budget? Is this right?---Ah, yes, it would.

Right?---What the process would be is I understood that we had an amount of phones - - -

Yes?--- - - - in storage within our building.

20

Yes?---And if somebody wanted phone they would go into the SAP system, they would purchase the phone, as the order came through the SAP system in a manual aspect it would be stopped, it would then, a phone would be provided and that would be then billed back to respective section.

Through the SAP system?---Yes.

And has that system been in place since about July 2010 or something?---I believe so.

30

All right. So it's been, so for all of that period that we're talking about, 2012 to 2014, that was the system that was in operation?---Correct.

It was an internal ordering system through SAP?---Yes.

And but that Mr Hacking would have his spreadsheet and would supply it through against the order made through SAP?---Correct.

40 Right. What about used phones, that is if somebody wanted to go from a 5S to a 6, what would happen to the 5S?---Ah, look, in general terms if somebody just wanted to upgrade a phone, unless they had a specific need for it, it wouldn't have been entertained. If somebody did have a need for it, i.e. that it had more capacity, certain people in certain positions or people that we're utilising to trial the phones maybe the senior IT people, things like that, we would do that type of upgrading. My understanding is the old phone would go back to, to John and he would do something with that. Having also said that, for example I had a phone that failed and basically I

just kept that phone or was advised by John just to keep that phone in my office for a period of time, when it was replaced with another phone.

Can you just pause for a second.

I was just checking something because the source of my information, I've got to make sure that I say something in open court. Mr Hacking I think has told us in an interview that when a new phone came out, people would just line up for the new phone and then that the old phones would be lost track of, but that's not correct?---Ah, I wouldn't disagree with that statement in the sense that for example when I needed a replacement phone my phone, the glass in my phone had broken - - -

Right?--- - - - I was unaware of the number of phones held downstairs or in locked cupboards, wherever they were held at the time, I required a new glass in my phone, John Hacking advised me or gave me another phone and said, "Here's another phone, just keep that one in your desk until we need to do something with it."

20 Oh, I see?---And so that phone I guess in one essence, it wasn't necessarily taken back but I can't be sure that that was the case with all phones. Knowing that I was John, knowing that I was John's line manager and the director of or the group manager of assets and infrastructure at the time, he probably, my view was he just said, look, just hold that for a while, we'll get it fixed later.

30 What about, I mean as far as the Commission is concerned going forward, it's possible that the Commission might consider making a recommendation that if an old phone maybe was being upgraded that there should be some system in place to track the, the, the assets of the organisation, not only the new ones coming in but what happens to the old one. Do you agree with that?---Absolutely.

And were you aware of, up until this started, were you aware of the SAARC fund?---No, I was not.

No, I was not. All right. And you agree, you agree that ideally you would have been made aware of it?---Ah, I believe I should have, yes.

40 Should have?---In essence I was aware we were changing from our existing account arrangements to a new account arrangement but at no time was I told there was a potential of a, of a slush fund or whatever you'd like to call it being created as a part of that process.

And it should be really connected to – it's from there that if somebody orders a phone it could be accessed from there without any cost to the RFS. Do you agree with that?---Yes, I do, and I believe the process of obtaining phones from that fund and holding them and handing them out as required



- - -

Yes?--- - - - sort of meant that unfortunately it all went a little bit pear-shaped.

Because of a lack of control of the John Hacking area?---Yes.

Right. But that's been addressed now, has it?---Ah, yes, it has.

10 It has. Right. Excuse me. No further questions, thank you.

ASSISTANT COMMISSIONER: Yes. Does anyone wish to question this witness?

MR MOSES: Just some brief questions.

ASSISTANT COMMISSIONER: Yes, Mr Moses.

MR MOSES: Just if I can understand some evidence you gave to Counsel  
20 Assisting a short while ago. The usual business process is that Rural Fire Service personnel allocated with a mobile telephone or a data device can upgrade that at the end of its life, subject to their supervising manager's approval?---Correct.

And that's done by creating an order in the SAP procurement system for a new device which proceeds through the workflow up the chain of delegations before it's released by the procurement officer?---That's my understanding, correct.

30 And new connections are required to be approved by an executive director?  
---Correct.

And that's subject to a recommendation from the line manager and the relevant line director?---Correct.

And just in terms of the knowledge or lack of knowledge of the SAARC Fund that came about because Mr Hacking did not brief you in respect of it, that is, did not provide you with that information?---Correct.

40 And this year, is this the position that the Rural Fire Service has engaged UXC Consulting to undertake an analysis of its fixed and mobile services?  
---Correct.

Which includes a desktop billing audit?---I believe so.

Thank you very much. I have no further questions.

ASSISTANT COMMISSIONER: Thank you, Mr Moses. If there's nothing else - - -

MR KATEKAR: No.

- - - can this witness be excused?

MR KATEKAR: He can.

10 MR HARRIS: Thank you.

MR KATEKAR: Thank you.

ASSISTANT COMMISSIONER: Thank you. You are now excused.

**THE WITNESS EXCUSED**

**[2.50pm]**

20 MR KATEKAR: I call Bruce Neil McDonald.

MS HUGHES: Commissioner, I appear on behalf of Mr McDonald he did indicate he would like a declaration and he'll be taking an affirmation.

ASSISTANT COMMISSIONER: Thank you, Mrs Hughes. Please take a seat.

MR McDONALD: Thank you.

30 ASSISTANT COMMISSIONER: Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by this witness and all documents and things produced by him during the course of his evidence at this public inquiry are to be regarded as having been given or produced on objection. There is no need for the witness to make objection in respect of any particular answer given or document or thing produced.

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ASSISTANT COMMISSIONER: Could the witness be affirmed please.

ASSISTANT COMMISSIONER: Yes, Mr Katekar.

MR KATEKAR: Thank you, Commissioner. Can you remind me your position please, what's your title?---I'm the Executive Director of Infrastructure Services, and this relates back to that GSE change - director is now executive director and group manager is now director.

10

Yeah, there is a memo of 19 March, 2015 - all right it was to you, all right. I want to ask you some questions about that but this is, this is the structure that I'm going to adopt. As best I can, what I'm going to do is I'm going to ask you to make an assumption about some facts that the Commissioner – the Commission may find as a result of this inquiry, may. Mr Moses and I may or may not debate the truth of those things but I don't want to get into a debate with those things. I want you to just make those assumptions as I go along. This is the structure of the question. There will be an assumption about perhaps what Mr Hacking did or perhaps what was an aspect of the procedures that were in place of the time. I'll ask you to make that assumption. Then based on a document – some documents given to us, there's one of 23 April, 2015. Do you remember that, that's a response to sections 21 and 22 of the ICAC Act?---I think so.

20

Are you aware of that?---We called it 001 the response I think.

001?---Yeah.

30

And there's one more recent one of 5 June given to us last week, that those two documents between you and Mr O'Malley you were involved in drafting that?---Correct.

40

Or at least in relation to the section 44 aspect which is what I want to talk to you about. I want to talk to you about section 44 procedures going forward, having regard to what's happened in the past and maybe how those difficulties might be addressed for the purposes of the Commission in its corruption prevention report making some recommendations that may be useful to you., and so this dialogue is primarily addressed to some of the issues that we see to discuss with you so that any recommendations that we make would actually be useful?---I understand.

First of all I want you – this is the first assumption, that Mr Hacking purchased more stock than had been used in the past and perhaps more than was really needed. That's an assumption. May or may not be wrong but let's just assume that for the purposes, the present purposes but that under the responses as, as I understand it in a general procurement context there's ERP software and weather reports are being used for advance planning. Is

that right?---That's correct. ERP software is the – essentially a back office package.

Yes?---And that requires some level of human intervention in terms of the weather reports and the, the potential forecasts.

Yes. And that SAP will gather that information?---SAP will gather the back office solution but not the weather component.

- 10 Yes. All right. And so putting those two things together there can be some predictions as to what might be required in the future?  
---That's, that's true.

Right. Do those apply for the purposes of section 44 procurement?  
---They don't universally at this time.

Ah hmm?---And that's because section 44 procurement's being done outside of the SAP system.

- 20 Yes?---Therefore individual items are difficult to catalogue.

Yes?---Whereas if you're inside the SAP system each item is a material number and is very simple. So they do not at this time but we are, we have engaged an external provider to assist us with that.

You're looking to do that?---Yep.

- 30 And I can cut you off there because certainly the recommendations that we make might assist your external provider and you, but at the moment they don't marry up, correct?---They don't, correct.

But you agree as a matter of principle that the same kind of process could be undertaken pre fire season for the purposes of section 44 events?---Yes, I agree.

You agree with that. There may be some lack of accuracy in what is acquired but it's, but looking forward there is – some acquisitions could be made to make this easier during a fire season?---True.

- 40 I want to ask you about – and perhaps this is Mr O'Malley's environment, but the potential for over-ordering. You know of the 50000012 number?  
---I do.

Maybe I'll call it the 512 number of the 12 number I think Mr York referred to it as, that say snack packs might be ordered in advance and put – or even during a section 44 and put against the 12 number and then allocated to particular, through journal entries to particular events separately?---That's correct.

You'd agree with that?---Yep.

But that the Fire Service can obtain a reimbursement through the Disaster Relief account I think for such purchases. You agree?---Yes, although I'm not sure whether it's whether they're journalled to the incident or whether they're held in the holding account.

10 This is where I'm coming from, that there's a potential isn't there for advance purchases to be, result in over-ordering. Do you agree with that?  
---There, there is, yes.

And does that create, in an over-ordering environment is the Rural Fire Service then stuck with its over-order and have to fund it itself rather than getting it from the Disaster Relief account?---I'm not quite sure. There is a \$7 million fund - - -

Yes?--- - - - that, that we have - - -

20 Yes?--- - - - as part of the operational response component.

Yes?---And a reimbursement from State and Federal Governments - - -

Yes?--- - - - occurs beyond that \$7 million.

Yes?---So it would depend where it sat in that fund.

30 But I guess where I'm coming from is, what if it wasn't used for a disaster at all because it was over-ordered and shouldn't have been, was over-ordered in the first place and so wasn't used for a disaster?---Then it has that potential, yes.

It has that potential. And out of what budget would that come, would it come from the Rural Fire Service's budget?---It would have to.

40 It would have to. Because here's my next question. Does that create an incentive – and I'm not saying it's you, I'm just saying within the Rural Fire Service generally, to use a section 44, to wait until a section 44 event is called and then order the stuff, even though it might be for future purposes because then if they order it within a section 44 environment they can just claim it back so that there's no risk of being stuck with any excess. Do you agree with that?---There is a degree of that. I mean we wouldn't be before the Commission if that hadn't occurred.

Perhaps we, perhaps we wouldn't, but this is it, this is why I want to talk to you about, is this something that needs to be addressed?---The purchases undertaken, snack packs aside - - -

Yeah?--- - - - during section 44 - - -

Yeah?--- - - - incidents are generally related to the incident, apart from the five we spoke about, foam, foam, water, snack packs et cetera.

Yeah?---Related to what occurs at the incident or what has been damaged or destroyed during the incident and so in the main they are mostly incident-related expenses.

- 10 And those incident-related expenses can be claimed back against say a Disaster Relief account to say, well, we incurred those expenses during that disaster?---That's correct.

But if we've pre-ordered snack packs and we don't use them then we're stuck with them. Correct?---Correct.

- 20 But anyway we're going – I'm repeating myself. Doesn't that – therein lies a potential enigma or difficulty for the Rural Fire Service in making sure that it's got enough things in advance to be ready to go if needed. But then if not needed does then the Rural Fire Service get stuck with it?---I think the potential's been in this case, has been created by an individual.

Yes. Sure?---And the lesson that we have learnt is that we need to take data from corporate systems, data from operational systems and have a layer of human intervention to determine what is the optimum stock level for those.

To make sure that your forecasts are as accurate as they can be?---That's correct.

- 30 But also perhaps at another level, that perhaps any unintentional advance over-ordering might still be able to be recovered from the disaster relief account because that's really what it's for as long as the, as long as the pre-ordering is done in good faith for that purpose. Do you agree with that?---I do. And I think the only thing that hasn't come out to date is that fires occur generally through December/January, like from October through to March. But that December period is sometimes a difficult period to obtain goods and services because of normal closures et cetera and so we have to take that into consideration as well.

- 40 But that's a good reason for doing advance purchases, yes. And – but also in the context of advance purchases we're going back to this first proposition that if it isn't an advance purchase it doesn't need to be done through a Logistics desk by a simple Logistics request it can be done through a proper, ordinary - - -?---It should be done through the proper system. I agree.

- - - proper system. The next assumption is that Mr Hacking substantially increased the amount of stock but it didn't seem to have been, been ordered

– but it didn't seem to have been detected, that is, nobody pulled him up on it. His one possible explanation for that was, is that because it was coming out of the disaster relief account it wasn't coming out of anyone's budgets, so nobody really cared?---I think that there was an insufficient level of oversight of Mr Hacking particularly and of those purchases particularly.

10 I don't think anyone's going to disagree with you there. But I guess where I'm trying to get at is – is it - might one factor that informed that lack of oversight, might one factor have been that because the money was coming out of somebody else's budget that there was less of an impetus to look carefully at what expenses were being incurred?---I can understand - - -

20 MR MOSES: I object. I object. I don't know what the point of this question is. I mean it shows the misunderstanding of the fact that these funds no matter where they come from have to be accounted to, to the Crown and the Treasury conduct audits of these matters. So I'm not sure what the proposition's being put to the witness that somehow nobody cared because it didn't come out of their pocket. That's silly, because it had to be accounted for through other funds. So I think one needs to actually understand what they're talking about.

MR KATEKAR: With respect to my friend, I don't mean to interrupt. It's not silly it is a line of inquiry that I am undertaking with this witness to ascertain to what extent there was a level of care or undertaking within the Rural Fire Service as a distinction between things that came out of the Rural Fire Service budget and things that did not.

30 MR MOSES: But there's no foundation for that kind of questioning anywhere in the material before the Commission. In fact it's quite the contrary. So really with limited time I would've thought we'd be focusing on the issues that we can talk about rather than speculating on matters where there is no evidentiary basis for it?

40 ASSISTANT COMMISSIONER: Well I mean it is an investigation and I mean that's just a matter of common sense and human nature frankly. But nobody's suggesting it wasn't audited or accountable but what's being suggested is that it wasn't held against a particular person's budget so they didn't have to worry about suddenly their budget was overspent by \$500,000. It was a general fund that was available for use.

MR MOSES: No, no. There's material before the Commission that establishes that Assistant Commissioner Yorke rejected claims where they took the disaster relief account so the evidence is actually quite to the contrary. So there's no point speculating about a thought bubble. I think we stick to the facts, don't we? But I've made the objection.

ASSISTANT COMMISSIONER: Yes. I note the objection but I don't think the question is objectionable. The witness is perfectly capable, I'm

sure of rejecting it if he doesn't accept it. You understand what's being put, don't you?---I do.

Well, what do you want to say about it?---I think that there is a fair layer of scrutiny. I understand Mr Katekar's point, the money could be just flowing in and it wouldn't make any difference, no one was, was held necessarily to account for that, but that's actually not the case. The overviewing of those expenses and the understanding, the costs of the fires are subject to review by the audit office, we do understand and identify the cost of each fire back to the Disaster fund and that's broken down into the areas of travel, accommodation, aircraft et cetera, so there is a layer of reporting that ensures there is an overview.

MR KATEKAR: Another thing that occurred was that Mr Hacking changed the supplier from CSI Corrective Services to D'Vine tastes without a procurement process being undertaken associated with that. Are you able to assist the Commission in suggesting how that kind of change might be addressed in a section 44 procurement environment?---I think – well, any – the changes we've introduced into section 44 procurement are that when purchases in any given year go beyond 250K - - -

Yeah?--- - - - the Chief Financial Officer is required to advise myself and I'm then required to consider whether a contract is necessary or not.

I see?---The change between CSI and D'Vine or EMCS as they became - - -

Yes?--- - - - occurred before I took over Procurement so I wasn't even aware that CSI was a vendor.

30 I can assure you there's no - - -?---No, no, that's okay.

There's absolutely no criticism directed to you, I'm just seeking to address the issue, but is the answer partly that, that is there's the \$250,000 in a sense, call it a threshold - - -?---Ceiling, yeah.

- - - over which then scrutiny is attached to vendors that exceed that threshold. You'd agree with that?---Yes.

40 But then also otherwise is another method that ideally more effort is undertaken for advance purchases through the ordinary procurement process which would have a, be another way or addressing this potential problem? ---That's correct, and that's a process that we've put into place following the Commission's memorandum.

All right. Now, I've only actually just recently seen the 19 March, 2015 memo, but in your, in these responses that I referred to earlier there's a suggestion that under the new SAP regime all purchase orders must be copied into Financial Services at the same time?---That's correct, yes.



At the same time they go to the vendor, and that the Financial Services will review the expenditure of over - - -?---And they must include a copy of the Logistics request that initiated the purchase as well.

Must include it. All right?---Yes.

10 Now, I guess my question is, in a section 44 environment, all right, so that represents a control over what also happened is that purchase orders being raised without a Logistics request. Is that right?---That's correct.

So is this, is there another layer being added to the control of the Logistics function with somebody in Financial Services checking everything. Is that right?---That's correct. Well, they're actually checking that the vendor exists - - -

20 Yep?--- - - - that, the expenditure with that vendor over a period of time and if the vendor doesn't exist, a vendor management or creation form is sent back to Logistics.

So this is, this is happening in parallel to the Logistics function, someone in Financial Services?---That's correct.

So is more resources being put into that to essentially act in parallel to the Logistics functions as it operates to, as a live review. Is that right?---That's right. Will be resource sundry and we haven't gone into a fire season since we put that into place.

30 All right?---But yes.

It's going to be, see how we go. Is that right?---Yes.

But that's the idea, is that somebody in Financial Service will be checking each and every one of them?---Certainly adds another layer of control.

Is that right?---Yes.

40 Adds another layer of control. Now, well, can I ask this. That's, is that through the SAP system, that is, okay, so it's copied in but it's still a manual system at the moment?---It's still a manual system at the moment.

Right. All right. But ideally eventually you'll come up with an automated system, either with SAP that works, if I can put it that way, within the timeframes required?---That's prompt and efficient.

Or a parallel system which will be automated to ensure that these checks and balances are carried out automatically?---And ultimately which creates

the purchase order in SAP regardless. That's the intent. Even if it's a parallel system it needs to come back into the SAP system so that - - -

I see?--- - - - an order can be created, a goods receipt can be undertaken et cetera.

It can come in earlier because at the moment isn't it that the invoices are coming into SAP at the invoice stage or something?---That's correct, the invoice scanning stage.

10

But it really needs to come in earlier doesn't it?---It would much, it would be much preferable for it - - -

So it needs to come in really at the Logistics request stage doesn't it?---That would be the ideal.

Be the ideal so that then the purchase order can be raised and then a receipt can be issued, can be inserted into the SAP system before there's any invoice approval so there can be a three-way match, do you agree with that?---Three way match, yeah.

20

ASSISTANT COMMISSIONER: Yes, one of the things this system would detect is whether a single vendor is receiving orders above 250,000 but has never been the subject of a competitive process?---That is the intent, yes, yeah so that anyone with an expenditure above 250,000 is flagged we would then go back and have a look at that vendor to see whether they were on an agency contract, either ours or another agency's contract or whether they'd be subject to in the future a competitive selection process.

30 Yes, thank you.

MR KATEKAR: Is the Commissioner to understand that it's no longer possible for a Logistics officer to raise a Logistics request him or herself? ---There is an instruction that says it is not to be done.

Yes?---I wouldn't say it's no longer possible because there is always that human element.

40 Okay, within a manual system?---That's correct, because we have a manual system but the level, the layer of oversight has increased.

Because of Financial Services, that's one layer of oversight?---Yes.

And is there another layer of oversight, I see that there's been restructuring at the Logistics desk to have a non-Procurement officer there, that is – is this right?---That's correct, yes. So the Logistics desk is normally resourced by people from the Procurement team who come down and do Logistics and some other administrative support. The intent is to have a more senior level

of staff as a Logistics supervisor to ensure that the Logistics desk runs effectively firstly and secondly is able to, to bat away anybody coming without paperwork of a sufficient level to say no, go and get your paperwork, come back here and we'll do it.

- 10 All right. Can I ask you this, there are circumstances wouldn't there be within a section 44 event emergency where the incident controller calls in and says I need, you know, 100, you know, litres of water and it's – and so Mr Hacking's given evidence that it's not on occasion you'll get a phone call and then should be followed up, how is it proposed that that kind of request is dealt with?---This is about process change for the agency so that information has to flow back to the incident controllers and, and the district level staff to say it must be supported and the development of the incident management team at that layer, at that local level, requires sufficient people in Logistics to be able to action that in a proper request form.

All right. All right. Okay. So the process change envisaged is that it must be in writing?---Correct.

- 20 The request must be in writing?---Yes, and we've said I think in our document that in exceptional circumstances we'll accept an email, rather a Logistics form, but it must be in writing.

At least if there's another person involved in the request other than the Logistics officer so that - - -?---That's correct.

- - - so that there is some accountability, agreed?---Correct.

- 30 All right. Just about process change, can I ask you on this, what about receipt, there's a, there's a suggestion I think in the papers that that sometimes a three-way match within a section 44 environment isn't necessarily always realistic because of the circumstances which sometimes deliveries are out in the field and they can't be kept track of, is that the position?---It is problematic because of that area, deliveries to the warehouse there shouldn't be any problems. Deliveries to even a fire control centre where there are fixed people there, sorry, a management centre, incident management team, will get better but deliveries to the staging area can be problematic.

- 40 Can be problematic. Okay. Here's my question, do you agree with this, that as far as process is concerned your vendors should, could be told that if they don't get a receipt in some form or another they can't expect to be paid?---That's fair.

Do you agree with that – it's fair. And that that receipt could take different forms, it might not necessarily be an automatic entry through the SAP system with a, you know, with a screen in front of you but some evidence of

receipt, would you agree with that?---A signed consignment note for example.

A signed consignment note and that, and that in – so perhaps this might be an exception that is outside the SAP system or outside the computer generated receipting system but there would be a, there may be an exceptional, a function to permit an exception to the usual procedure but there would still need to be evidence of receipt?---That's correct.

10 Would you agree with that, and that that should be - - -?---Yep, and that, that's what we're hoping to achieve with our, our (not transcribable) that we've gone out for.

Of course but I guess I'm dealing with ICAC's recommendations is to make a recommendation so that there should be evidence of receipt before an invoice is approved through some means or another?---Agreed.

20 One of the things that Mr Hacking did was make preseason orders through the section 44 procedure by waiting until there was a section 44 event and then, and then pushing them through but is, is your, your answer to that possibility the parallel supervision by Financial Services where it goes over \$250,000 that they would review the nature of the orders, is that where you would think that that kind of thing would be picked up, should be picked up?---The parallel supervision will occur regardless of the invoice value so for each order that's created and where it goes above 250 in any given year that will certainly be picked up as well.

30 Yes. And also the other controls about somebody else on the desk and - - -?  
---Correct.

- - - and there being a Logistics request which should come from outside the Logistics team into the Logistics team so that it can't be generated from within the Logistics team as Mr Hacking achieved?---That's correct.

You'd agree with that?---Yes.

40 Okay. Well, that's all right. Next, in the 5 June document it was suggested that replenishments could occur within a section 44 environment and I wonder whether that's right. Does it not, if, if, if for example you've run out of foam and you're within a section 44 event then replenishment should be to deal with your immediate need, do you agree?---I think that, I think that we hold a level of stock in a warehouse and that stock is distributed out and invoiced out to various 44's.

Yeah?---If that stock comes below a level which is acceptable for the project that's what should be replaced. Whether it's journalled out to the incident or whether it's the 0-0-0-1-2, the 0-1-2 account, to come back into the, to maintain a reasonable stock level.

Okay. Here's where I'm coming from because there's a mismatch in my mind between the section 44 policy which requires the procurement for section 44 be done only to meet the needs of that particular emergency on the one hand and then running down during a section 44 and then restocking all the way back up again using the abbreviated section 44 procedure, would it not be the case that once it's been run down that ordinary procurement procedures could be conducted in order to get it back up again?

---Absolutely, yes.

10

There's been a suggestion in the papers that about there's no inventory held, about vesting of assets in local authorities, should I ask Mr O'Malley about those kinds of things?---Probably a better question for Mr O'Malley.

Now just the next one I wanted to ask you was just I skipped over it, I'm going to back to it, that – about the replenishment?---Ah hmm.

20

And maybe this is an O'Malley question, Mr O'Malley question as well, that if something's come out say of the 12 number, say snack packs for a particular event, and then you want to, then you want to replenish I guess the replenishment would go to the 12 number but not to the event, is that right? Mr O'Malley I think?---I think so.

From the look on your face that's something I should ask Mr O'Malley and that's fine. Now is this right, what is happening at the warehouse now for section 44 generated invoices as far as receipting is concerned?---I'm sorry, I don't understand what is happening to the warehouse now?

30

You understand that up until recently there was no system for – if there was a snack pack invoiced, it was issued to head office and the snack packs were sent to the warehouse at Glendenning but there was no matching up between the receipt of those goods at the warehouse and the invoice, you accept that? ---Yes.

And that under the SAP system that is done because there's an invoice which is on the system and then the receipt can be done through the SAP system at the warehouse?---Correct.

40

You agree with that?---Yeah.

But presently invoices – sorry, purchase orders raised for section 44 events aren't under the SAP system. Do you agree with that?---Correct.

So why is the receipt mechanism in place at the warehouse?---Okay. The warehouse, we've recently – pardon me. We've recently introduced warehouse management into the warehouse which is an SAP module.

Yeah. I'm listening?---From October, 2010 regardless we were able to do a goods receipt, what they call a goods receipt miscellaneous so you're able to take goods – incoming goods - - -

Yes?--- - - - and receipt those - - -

Yes?--- - - - regardless of the purchase order number. But I think the key to this is that the incoming goods, particularly snack packs, were coming without a consignment note or any sort of paperwork at all.

10

Yes?---And the warehouse have been instructed that goods are not to be received without a consignment note that can now be entered into the system.

So in one form or another at least there's a record of what's been received accurately?---Correct.

And won't be received – it won't be permitted to be received at the warehouse unless there's some sort of consignment note, is this right?

20

---Yes.

And, and also that it's, it's recorded in the SAP system under goods received miscellaneous. Is that right?---That's correct. Yeah.

Against what was actually received?---That's correct.

Now, is there any way of marrying that goods received miscellaneous up with the current manual spreadsheet system at head office for section 44 procurement?---Right at the moment no, there is no apart from a very laborious manual process.

30

Yes?---But we believe going forward there will be.

Well, when you say we believe going forward there will be, that's the idea behind the – at least that's one of the goals that you have to achieve but you've put the matter out to tender at the moment?---Correct.

All right. So in a sense we're in a lacuna but you understand the issue and seek to, seek to - - -?---The goods received miscellaneous could be done against a section 44 L-number, for example.

40

Yeah?---And that, that would then start tying it back in a much less manual system.

Oh, I see. So, so that, that if, if it's entered through goods received miscellaneous with the S44L number then that will tie it immediately back to the relevant part of the spreadsheet?---That's correct.

Is that right?---Yes.

And is that being introduced at the warehouse to do that?---I'm not sure but I'll check.

All right. But, but you'll agree if ICAC was to recommend that that at least should happen - - -?---Would be a very good thing.

- - - you wouldn't disagree with that?---Not at all.

10

The other thing I wanted to ask you was, was this, that, that the, that the Commission understands that a lot of – there was a lot of delivery out of snack packs to events much more than previous and that people would pick them up and take them away and not necessarily for the event or – and that there was, there was little control over what was going out and whether, whether what was going out was really needed for that event. Is there plan in place to pay attention to the amount of goods going out for events as far as that's concerned?---Again, anything coming out of the warehouse will - - -

20

Yes?--- - - - will be managed in the SAP warehouse management system so it will generate its own consignment note.

Right?---And it's a consignment note to that incident or event or address.

Yeah. So that, so that at least the quantities going out to events can be tracked?---Correct.

30

And then presumably there would be reporting in the system to enable oversight to be undertaken of quantities going out to events?---That – those quantities would be subject to quarterly stocktake.

Quarterly stocktake. But also presumably if those reports can be generated through the system that would, that would permit at least some supervision as to where everything is going?---That's correct.

But without those reports you don't know?---No.

40

And at the moment - - - well, up until the end of last year there wasn't any?---We've assumed that they were going to the incidents for which there was a Logistics request.

You assumed that they were but, but you didn't really know?---We've since found out that's not – possibly not true.

Possibly not true but, but through the, the, those reports in terms of what's been despatched from the warehouse, that is, where it's going you'll be able to ascertain how much is going where?---That's correct. So we'll have

incoming stock, goods receipted, quarterly stocktakes and stock movement forms and then terms of consignment notes.

Quarterly stock movement forms received?---Yeah.

All right?---Quarterly stocktakes.

10 All right. Now, the – one of the flaws that seem to have occurred during this two year period 2012/2013/2014 is that there seems to have been a number of invoices which, which went through for approval for payment that only had Mr Hacking’s signature on them. Is that possible under the new Dataline system?---No, it’s not. I don’t know the Dataline system very well.

All right?---But it has a workflow in it which means that work flows to people based on their active directory address.

20 Yes?---So it’s unlikely that that would occur because it, it has a financial threshold and if it exceeds that it goes to the next person in the workflow.

Because under the – before the Dataline system came in it shouldn’t have happened, that is, that a payment should not a have been made merely on John Hacking’s signature. You agree with that?---That’s true.

30 But it seems to have done so but under the Dataline system is it less – I mean to what extent is it less likely for that to happen or is it possible for that to happen, somebody can just tick it when they shouldn’t?---No. I think it’s, it’s highly, highly less likely to happen and the reason being is that, that processing so many invoices means you being in some personnel from temporary agency staff who may not have been aware of the signatures on documents.

Yeah?---Where the process is now electronic and triggered by a dollar value threshold to escalate to those officers.

And it’s those officers that need to approve it?---That’s correct.

40 So that they can approve it through their desk rather than then signing it and then going to a third party to – for approval?---That’s correct, and the administrative staff simply release it based on its - - -

Right?--- - - - that it’s - - -

And it can’t be - - -?--- - - - achieved those approval thresholds.

It can’t be released unless it’s got the electronically approval from the person with the relevant delegation?---That’s correct.



So it should be more reliable?---Yes, much more reliable.

All right. I just want to ask you this. There's, there's some invoices such as the catering invoices that have almost no detail in them whatsoever but there's a number of 50 or \$60,000 and they were approved basically on the faith of what the vendor did. Is there, is there any view at the RFS that – as to what minimal detail is required before an invoice is approved?---I don't know the answer to that to be honest.

10 All right. That's all right. I'm not saying that you should it's just that it's – I mean – and the Commission doesn't know whether any of these were necessarily fraudulent it's just that there's just one line, I catered at that site on those days, and then \$50,000 and it causes us to wonder?---What I can tell you though is we had 200 firefighters there and they weren't fed effectively we would know about it pretty quickly.

20 All right. Excuse me. I've just got to make sure that I've asked everything and I, I want to make sure that I – see if I can get to Mr O'Malley before the end of the day. Excuse me, I'll just – before I release you I just want to make sure that those assisting – yes? No further questions.

ASSISTANT COMMISSIONER: Thank you. Does anyone else wish to question this witness?

MR MOSES: Yes, thank you.

ASSISTANT COMMISSIONER: Mr Moses.

30 MR MOSES: Commissioner, just a few questions. Assistant Commissioner McDonald, in your role you are the project manager for SAP. Is that right? ---I am at the moment, yes.

Yeah?---I project manage the first implementation Finance and Procurement and I'm currently doing the, the sponsor for the enterprise asset management project.

And SAP went live in 2010?---With Finance we went live in June – July, 2010 and with Procurement I think it was about October, 2010.

40 And Fire and Rescue New South Wales is the lead agency in the justice cluster for SAP?---Correct.

And that's shared with a number of different agencies that is SAP. Is that correct?---That's correct. We share it with Fire and Rescue, SES, Ministry for Police Emergency Service and some aspects of Attorney, sorry, Attorney General's.

And modules in SAP have been gradually added over the years. Correct?---  
Progressively (not transcribable) yes..

And it's necessary to ask other agencies to implement SAP modules at the  
same time. Correct?---It's the most efficient way to do it from a  
government cost expense (not transcribable)

Such as the government's risk and compliance?---That's correct.

- 10 And enterprise asset management, planning commenced - there will be a  
document to be presented to the Commission, planning commenced for  
enterprise asset management for emergency services in September, 2012?---  
Correct.

And that was implemented in 2015?---Yes. A couple of weeks ago.

When in 2015 was it implemented?---The system went live to the RFS on –  
at the end of the month – end of last month.

- 20 Thank you. Now there's also been introduction of a warehouse  
management system?---That's correct.

And that allows for tracking items at the warehouse?---That's correct. And  
that will enable them the location.

Stocktaking of items at the warehouse?---Correct.

And allocation of goods to another place or an incident?---Yes.

- 30 And material requirements planning, can you explain that to the  
Commission?---Material requirements planning is the next layer and that  
will allow us to understand best before or use by dates of stock. When the  
stock came in and when is the best time to rotate back out. To make sure  
that it's a first in, first out basis for perishable goods.

And that's due to take off in November, 2015?---That's correct.

- 40 Now you were asked some questions by Counsel Assisting in relation to  
other processes or procedures which the Rural Fire Service is looking at in  
order to further improve the tracking of goods and services which are  
ordered and used and paid for by the Rural Fire Service. Is that right?---  
That's correct.

And what the Rural Fire Service is currently looking at in terms of the  
engagement of a number of consultants and advisers is seeking to systemise  
its section 44 procurement processes?---That's correct.

And it is seeking that advice from – without going into the details of the individuals who have submitted their interest in working on this project, you have engaged, if one can refer to them as the world class leader experts in this area?---Certainly. We targeted the top tier accounting firms for assistance in that regard.

And ascertaining what they can bring to the table in terms of providing you with that top level advice?---Correct.

10 Because similar to what we operate we're not really in an area which can really be compared to other government service providers, certainly in New South Wales but in the private sector, the closest model would perhaps be something like Toll Logistics but, but us on much wider level of responsibility and not really can be compared to the Australian Defence Force because they have their own capabilities in respect of the production of various items that they take control of rather than procuring it - - -?--- Correct.

- - - from the outside?---Yeah.

20

And it's really a work in progress. Correct?---It is and it's a multi-faceted piece of work that will look at system controls, system integrations, custom and practice and business practices.

Ensuring that we don't just apply a band aid that may just simply create a problem elsewhere?---That's right.

30 A band aid solution. Now, in terms of procurement accreditation, this is the position isn't it, that in 2015 there was – and I'm just seeking to paint the complete picture to the Commission. In 2015 the IAB provided us, that is provided the Rural Fire Service with a review in respect of its procurement practices. Correct, 2015?---Yes. Sorry, section 44.

Section 44?---Procurement practices, yes.

But prior to that time there had been a number of other, if I call them audits that had been undertaken or reviews undertaken by IAB at the request of the Rural Fire Service?---That's correct.

40 And the Commission will be provided with these but I just wanted to show you three such reports and take you through them. So the first one I'm going to show you was one from November, 2009. The Commission, I think will have these and in the normal course through an agreement with those instructing me but I think it's important to take this particular witness to these.

ASSISTANT COMMISSIONER: May I ask why?

MR MOSES: What they demonstrate is this. The Rural Fire Service sought voluntarily a review of its procurement practices from the IAB and it was in effect given a clean bill of health on three occasions. Now what it shows is this agency proceeded to engage in best practice by seeking expert advice on matters. And each time the agency responsible gave it a clean bill of health which was relied upon by individuals such as the Assistant Commissioner. They didn't pick up a problem in respect of the matter and it's certainly irrelevant if there's to be a whole holistic review of the Rural Fire Service and what it has done and what it should've done in the future.  
10 It should also be recognised that it was being advised by independent outsiders that section 44 it had well controlled procurement functions in place.

ASSISTANT COMMISSIONER: Well, I presume the reports speak for themselves. I do just wonder what is the point of taking this witness to them?

MR MOSES: Well, the fact that he read them, understood them and relied upon them but nothing was brought to his attention. Like I can roll it up in  
20 one question.

ASSISTANT COMMISSIONER: Could you, that would be great.

MR MOSES: So there are three that came in. There was a review of procurement policy of November, 2009. There was a fraud and corruption risk assessment in September, 2011 and there was a review of accounts payable in November, 2011. But if I can get in a nutshell to it. What these reports demonstrated, said was that the Rural Fire Service had in place a well-controlled procurement function. Correct?---That's correct.  
30

And they also said that there was a low risk of fraud and corruption for section 44 purchases?---That's correct.

And there was a low risk of partiality and allocation within services for section 44 events?---That's right.

And that was something which you as the Assistant Commission relied upon when considering whether any changes or improvements needed to be made at those times?---Particularly as that time was the time that Procurement was coming over from finance into my business unit. And I did an assessment of those prior to that to understand the risk.  
40

Yes. Thank you. And in terms of liaison with the New South Wales Procurement Board the Rural Fire Service engages in liaison with the New South Wales Procurement Board?---We do, yes.

And what is the function of the New South Wales Procurement Board?---The State Contracts Control Board as it used to be has been abolished and

replaced by the Procurement Board. Pardon me. And that required the agency to accredited for its – to manage its own procurements internally. The accreditation process was gone through and the result was what they call a 2B accreditation, meaning internally we'd manage contracts up to \$20 million and our liaison with the Procurement Board is to first get that accreditation but secondly meet monthly, report quarterly, and ensure our accreditation is maintained.

10 And that accreditation was approved in November, 2014 by Office of Finance and Services?---Correct.

And also there is internal training that is undertaken in respect of procurement within the Rural Fire Service?---Yes. There are a number of changes introduced into Procurement as a result of our accreditation, was in six key areas and training of our personnel has been ongoing since that time to enable them to come up to speed with the new processes and the new strategy requirements.

20 There's a 2014 Procurement training plan?---That's correct.

There's a standard operating procedure in respect of the Procurement manual?---Correct.

And there's a Procurement policy?---Yes.

30 And can I just ask you two questions directly with Counsel Assisting's questions. I think you may have mentioned and may have been in a statement but I think there was a suggestion put to you that at the time there's a procurement request there should also be an invoice presented at the time the request for the Procurement is being made?---No, I don't recall that, actually.

ASSISTANT COMMISSIONER: I think a Logistics request?---A Logistics request?

MR MOSES: A Logistics request, yes?---Yes.

40 That an invoice should be presented at that time?---Oh, no. I think that was more about the Logistics request being copied to finance so that there was an understanding of what was occurring.

So this is after the purchase had been made?---That's correct. The Logistics request and the purchase order go across into finance.

Not at the point of the request being made for Logistic support because of course you couldn't have an invoice at that time because you hadn't sourced the goods?---That's correct. The invoice then comes through the invoice scanning solution, Dataline as we've pretty much been calling it.

It must have been my failure to hear again, I've got bad hearing. Okay. Are there any other questions? I have no further questions, thank you.

ASSISTANT COMMISSIONER: Thank you, Mr Moses.

If there's nothing else? No. Yes, thank you. You're - - -

10 MR MOSES: Oh, sorry, there is one final thing that I've been asked.

ASSISTANT COMMISSIONER: Oh, all right.

MR MOSES: I do apologise.

Counsel Assisting I think identified two responses to ICAC being 23 April and 5 June, 2015. There's also been two others, that is four in total, one of 13 May, 2015 and one which was submitted to ICAC today that you've had involvement with as well?---That's correct, yes.

20 Thank you.

ASSISTANT COMMISSIONER: Thank you.

MR KATEKAR: There's a statement flowing around – we'll just tender it. There's a statement, it just came to my attention just now, it's just, it's a little unsatisfactory just being given something of this length and complexity, but apparently it's a statement by Mr McDonald in relation to a request for information from ICAC. His counsel wishes to tender it. I don't have any difficulty with that, we'll just see what we can do with it as the time comes and hopefully I've asked him the questions that I need to.

30 ASSISTANT COMMISSIONER: Yes. All right. Well, that statement from Mr McDonald will be Exhibit 83.

**#EXHIBIT 83 - STATEMENT OF INFORMATION REGARDING  
RFS PROPOSED REFORMS PREPARED BY BRUCE NEIL  
MCDONALD**

40 ASSISTANT COMMISSIONER: Ms Hughes, you don't have any questions?

MS HUGHES: No, Commissioner. That statement was prepared directly in response to some questions raised by the anti-corruption team.

ASSISTANT COMMISSIONER: Great. All right. Well, thank you, you are now excused.

MR KATEKAR: Next and last I hope is Stephen O'Malley.

MR CHALMERS: Yes, Commissioner, Chalmers, solicitor. I appear for Mr O'Malley. He's been explained the section 38 objection and he'll take an affirmation.

10 ASSISTANT COMMISSIONER: Thank you. Just take a seat there, Mr O'Malley.

Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by this witness and all documents and things produced by this witness during the course of the witness's evidence at this public inquiry are to be regarded as having been given or produced on objection. There is no need for the witness to make objection in respect of any particular answer given or document or thing produced.

20

**PURSUANT TO SECTION 38 OF THE INDEPENDENT COMMISSION AGAINST CORRUPTION ACT, I DECLARE THAT ALL ANSWERS GIVEN BY THIS WITNESS AND ALL DOCUMENTS AND THINGS PRODUCED BY THIS WITNESS DURING THE COURSE OF THE WITNESS'S EVIDENCE AT THIS PUBLIC INQUIRY ARE TO BE REGARDED AS HAVING BEEN GIVEN OR PRODUCED ON OBJECTION. THERE IS NO NEED FOR THE WITNESS TO MAKE OBJECTION IN RESPECT OF ANY PARTICULAR ANSWER GIVEN OR DOCUMENT OR THING**

30

**PRODUCED.**

ASSISTANT COMMISSIONER: Could the witness be affirmed, please.

ASSISTANT COMMISSIONER: Yes, Mr Katekar.

MR KATEKAR: I just want to talk to you about three or four issues. The first one is this, pre-ordering stock?---Ah hmm.

10 What Mr Hacking – I'm going to ask you to assume this – is that he used the section 44 procedure, would wait until a section 44 declaration and then get a Logistics request authorised through his nefarious means, if I can put it that way, but was actually achieving stocks for the season and let's just assume that that's what he did, and I'm going to ask you to assume for present purposes because you're CFO and I'm asking other people about procurement processes, that ideally, that if it's a pre-season purchase which is not urgent, that the ordinary procurement procedure should be utilised.

What I want to talk to you about is how it's accounted for?---Ah hmm.

20 That is, if there's – I'm going to refer to it as the 12 number, you know the 50000012 number?---Yes.

That if there's a purchase of stock say 10,000 snack packs, which is not, for example which is not for any particular event but for stocking, it's correct isn't it that it's allocated to this 512 number?---It's correct, that's usually where it would be initially allocated.

Where else might it be allocated?---So it could be allocated direct to an event.

30 If it was purchased for an event it might be allocated to an event, do you agree?---Correct.

But if it's purchased not for a particular event but for future stocks in anticipation of events occurring, it would be allocated to the 12 number, do you agree?---That's correct.

40 Now, just in the hypothetical scenario where there's a big pre-season order say of 100,000 and you go through the season and you only use up 80, then the missing 20 that have been paid for but not used for particular events - - - ?---Ah hmm.

- - - and presumably are remaining in the 512 ledger, if I can put it that way - - -?---Ah hmm.

- - - how does the RFS fund that 20?---So there is probably a long and convoluted answer to this question unfortunately.



Can you make it a short one?---I can try.

Does it, does it come from the DRA or not?---The answer is it may.

It may?---And it may not.

Okay?---Hence my - - -

10 Yeah, okay?--- - - - suggestion that it would be a difficult thing to answer.

Well, okay, well, it may or it may not, but if all of the 100,000 were ordered within a section, under a section 44, within a section 44 declaration period, does that make it easier to get it under the DRA?---No.

Oh, okay, so it doesn't make any difference?---Not, not in my view. So - - -

20 All right. Okay?--- - - - the process that we have is that in the creation of the Rural Fire Service budget there is created by the Act the Rural Firefighting Fund.

Yes?---The Rural Firefighting Fund is funded by contributors under a contributory scheme under the Act.

Yes, yes?---As part of the creation of the fund there is a \$7 million provision made - - -

Yes?--- - - - which is referred to as an emergency fund.

30 Yes?---That emergency fund is really to meet the cost of class 1 fires, class 2 fires, class 3 fires which do not meet a natural disaster threshold and it will be used for any general operations that don't fall within a category that we could claim from the Disaster Relief account. There is then a Treasury circular which defines how we use the Disaster Relief account and what we can claim from the Disaster Relief account and we must fully expend the \$7 million from the Rural Firefighting fund before we can make any claim from the Disaster Relief account.

40 All right. The nub of my question is this. Is someone, say for example in Logistics, say John Hacking for example, incentivised to wait for a section 44 event in order to do a pre-season, to do a pre-season order because of budgetary allocation?---No.

Or is it more because that Logistics officer could then avoid having to go through the procurement process?---That would be my view.

That would be your view. But it doesn't make any financial difference as to how the funding is done, if it's not allocated to an event it can't be claimed. Correct?---It can't be immediately claimed, it may be eventually claimed.

May be able to be ultimately claimed, say for example if, if you have over-ordered but you've done it genuinely for events, you might still be able to make a valid claim?---Correct.

Right. There's a suggestion in the papers, these two answers that we've got, about there being assets under \$5,000 expensed, right, and not capitalised? ---Correct.

10 But also that there's no inventory held by the RFS?---Correct.

What are the things for which there's no inventory, does that include snack packs?---Ah, yes, it would include snack packs, so - - -

And foam, things like that?---Yes. I think there's a fundamental misunderstanding between accounting concepts and what a general person may consider to be inventory, so inventory from an accounting perspective has a particular characterisation, so it would be an asset, and an asset in an organisation's books, because of the operation of the Rural Fires Act, the Service holds no inventory from an accounting perspective.

20 Well, this is my question in a sense, I was wondering. The Rural Fire Service incurs the expense?---Correct.

Correct, and may get reimbursement from the DRA or the Rural Firefighting Fund, you agree?---Correct.

Incurs the expense but doesn't hold the asset?---Correct.

30 But the asset is held by the local councils for which, is this right, they hold the inventory for the fires they have to fight?---Technically under the Act they do, yes.

Okay, technically under the Act, what's the reality?---Well, no council is actually holding the good.

40 Oh, okay. Because what I was hearing when I was reading that is that you were incurring the expense but getting no asset and they were getting the asset but not incurring the expense?---Well, that is certainly part of the operation of the Rural Fires Act so for example if we build a firefighting appliance that appliance is something that we incur the cost of building so you may end up with a fire tanker and under the provisions of the Act that asset once it is provided to a brigade becomes an asset of that local government entity.

What I was worried about was this, this control, as to how if you don't hold the asset how do you control it? Do you understand my question?---I don't see the concepts as necessarily linked but - - -

Oh, okay. Well, in my mind I did, that is if you weren't holding the inventory then it's not in the interests of the Rural Fire Service to control it if it's not in your assets but is that, isn't that right?---That, that wouldn't be my view, no.

It's not your view, that is so. The RFS through - say for example there's a pre-order of snack packs for example?---Ah hmm.

10 And you heard some questions earlier that I had of Mr McDonald about tracking where things go and understanding what you've got?---Ah hmm.

So that's, that's still a function that's going to be performed by the RFS?  
---Yes.

But as far as its accounting treatment, as far as its assets are concerned it doesn't regard those snack packs as an asset?---That's correct.

But it still tracks them?---Correct.

20

That's the line of territory I was going as to if you weren't holding it as an asset were you not tracking it but your answer is you do track it, you just don't hold it as an asset, is that correct?---That's right.

I wanted to ask you this, as to whether – in the papers there's a suggestion that you can replenish stocks through a section 44 process so that if a stock is rundown you make a section 44 procurement request to run it back up again and you heard me ask Mr McDonald about that, about potential issues about that, if it wasn't an urgent replenishment that perhaps a ordinary  
30 procurement should be used but my question for you is this, let's assume in that world that there's a section 44 procurement and that it's – would it be allocated the 512 number or would it be allocated the, the number for the section 44 event which led to the reduction in stock in the first place?---The answer to that is again it depends.

Oh, okay?---So I think it's important to understand how this process works in that just because costs of snack packs for example are assigned to that particular number does not mean that that is where the cost necessarily ends up. So there is a process of what are known as journal vouchers so  
40 journaling costs from that number across into an event which is actually consuming those goods so it's entirely appropriate if we are holding them in stock at a point in time to later then journal those because they are being consumed and to restock.

I accept that and my question was I was wondering whether if say the number ends in 33 like 5-0-0-0-0-3-3 was just for a particular - - ?  
---Yes.

- - - event, I think it was the New South Wales floods for example - - -?  
---Yes.

- - - and the snack packs were run down during that period and so that there was a journal entry for the consumption of snack packs for those floods under that number and then there was a restocking under that number, doesn't that mean that that event has been charged twice for those snack packs?---If it was restocked to the same number, yes, but normally you would either restock into the store, into the 12 number as you're referring to it or you would purchase directly to the event so you shouldn't both be journaling to an event and ordering directly to the event because as you say you'll be double counting.

You'll be double counting wouldn't you, yeah?---Correct.

So part of the function that you're supervising is to ensure that there's no double counting, correct?---My function includes the, the journal component, correct.

20 Right. You tell me, is this right, that if there is restocking – restocking is not consumption, you agree with that?---Correct.

So it should go to the 512 number for restocking?---That would be where I would expect it normally to go.

Normally, that's where it should go as a matter of procedure so when it ultimately goes out of the 512 that's for consumption?---Correct.

30 So there shouldn't be a double count?---Correct.

I'm going to ask you about this, there was an increase in the 2012 – 2013, 13/14 a substantial increase in the amount of snack packs ordered?---Yes.

Is there any system in place to notice when such an increase occurs going forward?---In terms of the actual numbers or in terms - - -

Yes?--- - - - of the dollars or - - -

40 All of the above, dollars I mean, you're the dollar man, be it dollars, I think that part of the problem may have been that he was dealing with a manual system and it was kind of where, you know, he was off on his own?---Ah hmm.

And it's hoped to bring that – it's part of the bigger system, is that correct? ---So, so there are two practices. We do regular routine financial reporting so there's certainly an opportunity that we would become aware of it through routine financial reporting and we report across the service, there's an opportunity for anyone with access to SAP to run financial reports. The

– I think what you’re really referring to is something which would normally be terms spend analysis which is a Procurement function and which sits within the Procurement area.

And when you’re referring to spend analysis is that a function under SAP?  
---Spend analysis is a concept rather than a function.

10 All right?---So spend analysis is the, the concept of knowing where you’re spending your money, in what category with what vendor so that you understand your procurement practices. There is definitely an intention to improve spend analysis.

I guess here’s what I’m asking, okay, we have the concept but does the concept move into actual practice in some form at the moment?---I think I just answered that.

Well, there’s an intention?---Correct.

20 And how is that intention manifesting itself?---So my understanding is that Assistant Commissioner McDonald has commissioned some work on business intelligence reports to meet that function. It’s a question you may wish to ask him.

30 That’s all right, he’s gone now. But where I’m coming from is there any distinction in terms of spend analysis as far as you’re concerned or in terms of expenditure which may be more in your department between funds that are spent which are recovered from the DRA or not?---Absolutely not. I mean from my perspective we are spending Government moneys, we are spending moneys that come from the public, I don’t make a distinction as to did that come through the contributory model associated with the Rural Firefighting Fund or did it come from consolidated revenue raised by New South Wales Treasury. It is all public moneys. We have a responsibility to spend that effectively. To be quite truthful there is probably additional control over the amounts that we recover from the disaster relief account than there is over our normal budget allocation because there are additional reviews by New South Wales Treasury, there are additional reviews by the Audit Office of New South Wales so the characterisation that we as an agency have some amazing bucket of funds that we can just tap into and use for whatever we see fit is completely false in my view.

40

Mobile phones?---Ah hmm.

How are they accounted for now?---Now, so they are in our view not an asset because they fall below the \$5,000 threshold. What we have implemented as part of the enterprise asset management implementation is we are tracking what is known as equipment in SAP and mobile phones for example will be an equipment and they will be tracked as to who they’re assigned to, what is their location.

So when they come in they'll be tracked through SAP?---Correct.

But we just – but possibly not a matter for you. I think the problem that experienced with Mr Hacking is that he was controlling when they were coming in and so he'd put some aside before they went in?---The, the process that I have just described is something that came in as part of the enterprise asset management. I can't really talk about anything Mr Hacking was doing.

10

No, no, I'm not asking you to but the issue I think was that before it went into enterprise asset management - - -?---Yeah. I mean - - -

- - - it was excluded from - - -?---It appears as - from, from what I've heard from sitting in this room for a period of time that Mr Hacking was able to obtain phones prior to them being in Rural Fire Service systems.

20

Right. So the process that needs to be undertaken is to ensure that if once – if anything comes in it has to get into the system and not be excluded from the system before it goes in. You agree?---Of course.

Of course. Excuse me.

ASSISTANT COMMISSIONER: But is that happening now?---Yes, because we've become aware of what is known as the SAARC Fund.

30

Ah hmm?---The management of the SAARC Fund has now been given to the Procurement Strategy Steering Committee and I will certainly be bringing to account the balance of the SAARC Fund now that I'm actually aware that it exists because it is an asset to the Rural Fire Service because it's an amount of money that we have available to us to spend.

Yes. Thank you.

MR KATEKAR: I have no further questions, Commissioner.

ASSISTANT COMMISSIONER: Thank you. Yes, does anyone wish to – Mr Moses.

40

MR MOSES: Yes, thank you. Can I just show you this document, Mr O'Malley. It's a document which I think you've prepared. I should quality that. This is a, in substance, a list that you've prepared as a working document of improvements that have been implemented within the Rural Fire Service that go to the question of accountability in relation to procurement as well as financial accounting?---That's correct.

And the documents, Commissioner, I should note will be the subject of evidence in these proceedings which have been tendered by arrangement

with Counsel and Solicitor assisting the Commission and, Mr O'Malley, it's fair to say that when you came on board with the Rural Fire Service, was it in 2012. Is that right?---Yes, November, 2012.

And your background I think previously was with the Ambulance Service. Is that right?---That's correct. I was the CFO of Ambulance.

10 Yes. So when you came on board as the CFO for the Rural Fire Service you saw it as part of your responsibility and remit to review financial and accounting practices within the Rural Fire Service in order to ensure that, as best you could with the information you had, ensure that they were in accordance with New South Wales Government policy?---Most certainly.

And can I just ask you – just if I can show you the corporate governance statement of the Rural Fire Service. This will be tendered as part of the bundle but it might be useful for the witness to see, look at the document. Mr O'Malley, just that document that you have in front of you, can you explain to the Commission what that document is, what it sets out to do? ---So it's a document that's describing the corporate governance framework within the Rural Fire Service.

20 And how it presently operates?---To be truthful I haven't spent a lot of time studying this particular document.

Okay. Thank you. And the next document I'm going to show you is the Treasury circular 25 January, 2012 which is the guideline for reimbursing agency expenditure related to disaster emergency and recovery operations. Is that a document that you're familiar with?---Yes.

30 And can you explain that document to the Commission?---So this is the document that New South Wales Government have released in terms of how to, or the rules associated with responding to emergencies and recovery operations and particularly in respect of the Rural Fire Service, how to access the Disaster Relief account, so the Crown's provision.

And this is the guideline which the Rural Fire Service complies with? ---Yes.

40 Thank you. And I think there were some questions being asked of you previously by Counsel Assisting concerning the maintenance and disposal of equipment purchased from the fund, the Rural Fighting Fund?---Ah hmm.

Do you recall those questions?---Yes.

And that's governed isn't it by the terms of the Rural Fires Act, section 119? ---Yes, it is.

That's in effect what you were referring to there?---Yeah, section 19 refers to any - - -

119?---Sorry, 119 - - -

Yeah?--- - - - refers to any disposal of goods that were purchased under the Rural Firefighting Fund and what happens to the proceeds of sale.

10 And just the final question I wanted to ask you is this, that when you came on board with the Rural Fire Service did you review previous reports that had been done by the IAB in relation to procurement practices within the Rural Fire Service?---Yes, absolutely.

And on your reading of them is it fair to say that those reports did not raise any concerns in relation to transparency or accountability concerning procurement practices within the Rural Fire Service?---Absolutely the case.

20 And in fact I think in one report you referred to there being a low risk of corruption or partiality in respect to the provision of services?---That's correct.

And yet in February 2015, this year, or actually not February, actually quite late, I think it's May, they produced a report that for the first time highlighted concerns that they hadn't previously highlighted?---Yes, there's been a complete change in the view of the Internal Audit Bureau.

And indeed in one circumstance there's the same author in respect of the most recent report - - -?---That's correct.

30 - - - that gave a clean bill of health with earlier reports?---That's correct.

Okay. Thank you. I have no further questions.

ASSISTANT COMMISSIONER: Thank you.

40 MR KATEKAR: Commissioner, that concludes the witnesses. The Commission has some CCRs and some, a couple of police statements and also the Rural Fire Service has a folder of documents that will be tendered. Would it be convenient to just have that done tomorrow during business hours outside the Commission hours or do you want to - - -

ASSISTANT COMMISSIONER: Yes, no, I'm sure that can be arranged outside hearing sitting hours.

MR KATEKAR: Yes.

ASSISTANT COMMISSIONER: As long as copies of whatever is tendered are provided to all parties.



MR KATEKAR: I don't think that that's a problem as far as the CCRs are concerned. No problem whatsoever.

ASSISTANT COMMISSIONER: Yes. So we'll provide copies of whatever is tendered out of session and it'll be given an exhibit number or numbers.

I'm sorry, I think – can we excuse the witness while we - - -

10 MR KATEKAR: I think the witness can be excused or otherwise – thank you.

ASSISTANT COMMISSIONER: You're free to go.

**THE WITNESS EXCUSED**

**[4.08pm]**

20 MR KATEKAR: But that concludes the evidence before the Commission.

ASSISTANT COMMISSIONER: Yes. Now, in terms of submissions, we normally allow Counsel Assisting two weeks. Will that be suitable do you think for written submissions?

MR KATEKAR: Yes.

30 ASSISTANT COMMISSIONER: So that will be 23 June for Counsel Assisting and 30 June for responses, that is one week for other parties to respond.

MR MOSES: You mean for July, 13 July, Commissioner? I think you said 13 June.

ASSISTANT COMMISSIONER: Well - - -

MR MOSES: Are you meaning July, 13 July?

ASSISTANT COMMISSIONER: No, 30 June.

40 MR MOSES: 30 June.

ASSISTANT COMMISSIONER: 23 June for Counsel Assisting.

MR MOSES: Yes.

ASSISTANT COMMISSIONER: And 30 June then for responses from other counsel.

MR MOSES: Thank you.

ASSISTANT COMMISSIONER: And of course the written submissions as usual will be subject to a suppression order and they are only to be circulated to other counsel.

10 **THE WRITTEN SUBMISSIONS WILL BE THE SUBJECT OF A  
SUPPRESSION ORDER AND ONLY CIRCULATED TO OTHER  
COUNSEL**

ASSISTANT COMMISSIONER: Is there anything else, Mr Katekar?

MR KATEKAR: No, there is not, thank you, Commissioner.

ASSISTANT COMMISSIONER: All right. Look, thank you very much for your assistance and to all counsel for their assistance and this matter is now adjourned.  
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**AT 4.09PM THE MATTER WAS ADJOURNED ACCORDINGLY  
[4.09PM]**