

TILGAPUB01394
08/08/2012

TILGA
pp 01394-01451

PUBLIC
HEARING

COPYRIGHT

INDEPENDENT COMMISSION AGAINST CORRUPTION

THE HONOURABLE DAVID IPP AO QC

PUBLIC HEARING

Reference: Operation E09/350

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY

ON WEDNESDAY 8 AUGUST, 2012

AT 10.10AM

Any person who publishes any part of this transcript in any way and to any person contrary to a Commission direction against publication commits an offence against section 112(2) of the Independent Commission Against Corruption Act 1988.

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

THE COMMISSIONER: Yes, I apologise that everyone has been kept waiting. Yes, Mr Strickland.

MR STRICKLAND: I seek to interpose Mr Daniel Paul for a short while.

THE COMMISSIONER: Is Mr Paul here?

MR STRICKLAND: I believe so.

10 THE COMMISSIONER: Yes. Mr Stokes, if you wouldn't mind leaving the witness box, you'll be recalled soon.

<DANIEL PAUL, on former oath

[10.10am]

Mr Paul, you're still under your oath and the section 38 order continues to apply to you?---Yes.

THE SECTION 38 ORDER CONTINUES TO APPLY

10

MR STRICKLAND: I just want to show you an invoice please. It's an SCI invoice 89101 dated 8 September, 2010. I tender that invoice.

THE COMMISSIONER: The invoice 89101 of 8 September, 2010 from SCI to Q Videos is Exhibit 125.

#EXHIBIT 125 - INVOICE 89101 ISSUED BY SCI IN THE AMOUNT OF \$6,875.00 DATED 8 SEPTEMBER 2010 (ICAC REF: 136)

20

MR STRICKLAND: You rendered this invoice to Q Video, is that correct?
---Correct.

Did you get paid for it?---I assume so.

Do you know whether you did?---Not that I can recall but I assume so.

30

And what was the work you did in relation to this invoice?---That was one of four.

Yes?---I provided some tender training to Paul Thompson.

THE COMMISSIONER: Under what circumstances would you have not been paid for it?---Oh, I just, I don't have my accounts in front of me so I can't sit there and say yes, that was definitely paid but I assume so.

In the ordinary course it would have been paid?---Yes.

40

MR STRICKLAND: So you trained Paul Thompson and when did you do that?---I don't have the dates in front of me, I don't recall.

THE COMMISSIONER: It says July 2010?---I don't have it in front of me, your Honour, sorry, Commissioner. Thank you.

The invoice says July 2010, would that be the time you trained him?---The invoice says 8 September, 2010.

Sorry, in the body of it I think it says - - -

MR STRICKLAND: The description.

THE COMMISSIONER: - - - July 2010. Am I wrong?---The body of it says that, yes.

It says July 2010?---Yes.

10 So is that - - -?---That's what it says.

Would that be right? I mean - - -?---When the training was done?

Yes?---No, it was done prior to that.

MR STRICKLAND: When was the training done?---There was an original invoice that was the \$27,500 one - - -

20 Yes?-- - - that was broken down. It was done prior to that.

Well, just, just so we're clear, if the witness could be given Exhibit 80 I believe, together with 82, 80 and 82. So when you said, when you were referring to the tax invoice of 25,000 or 27,500 that was broken down you're referring to Exhibit 80 at page 198, is that correct?---(No Audible Reply)

THE COMMISSIONER: That's the 27,500 one?---Yes, it was done prior to that.

30 MR STRICKLAND: Okay.

THE COMMISSIONER: Prior to what?---Prior to the, to 19 June, 2009.

MR STRICKLAND: Invoice. And what, what did the training involve? I'm sorry, that is what did the training in relation to invoice 89101 involve? 89101 is the one I've just shown you?---The training for all four was the same training. As I said previously those - - -

40 What do you mean by the training for all four? All four what?---All four of these invoices.

THE COMMISSIONER: It was the same training?---It's the same training, it was broken up - - -

You don't mean the same training, it's the same kind of training but it was different training?---No. The same training. It was, it was a range of sessions of training that I was working with Paul on and instead of putting it

out as one invoice on 27,500, we broke it down into, I broke it down into four parts.

So the invoice which is Exhibit 125 is simply part of the invoice which is Exhibit 80 for 27,500?---Correct.

10 MR STRICKLAND: But if you look at Exhibit 82 none of the invoices in Exhibit 125 match in the exhibits in Exhibit 82 do they, either in amount or in terms of description?---I don't recall what, ah, I don't recall what exhibit - - -

Well if you look at Exhibit 82?---Yes.

And then look at Exhibit 125.

THE COMMISSIONER: Have you got copies of Exhibit 82?---I have got Exhibit 82 here, yes.

20 MR STRICKLAND: I've asked, I've asked them to be (not transcribable)? ---Right, 125 I don't know what that was for. That was, I thought they were the same and somewhere along the line that's been crossed over. I don't know what that was for. I don't know whether it was ever paid.

So your previous evidence in relation to Exhibit 125 that it was the same training in relation to the 25,000 that's incorrect is it?---It's incorrect, that's right.

THE COMMISSIONER: In relation to 27,500.

30 MR STRICKLAND: That's right. I say 25,000 because I'm not adding the GST, but I'll refer to it as 27,500?---Yes.

THE COMMISSIONER: Yes. So that there's no misunderstanding.

40 MR STRICKLAND: Okay. So I'll repeat the question. So your evidence about Exhibit 125 that it was the same training as the 27,500 invoice, Exhibit 80 is incorrect?---Well I don't know what that was for. I can't recall. I think it was, there was a stuff up in invoicing and I don't know what that one was for.

Well your previous evidence, and I'll have it replayed to you was that that evidence was incorrect. Was it correct or incorrect?---Sorry, ask the question again.

Your evidence about Exhibit 125 that it was the same training as the training you gave for the 27,500 invoice, Exhibit 80, that evidence was incorrect?---I don't know because I don't know which one I got paid for.

THE COMMISSIONER: You don't know which one, I beg your pardon, I didn't hear, you don't know? I didn't hear what you said?---I said I don't know because I don't know which one I got paid for. I don't have my accounts in front of me. I can't tell you which one I got paid for.

So are you saying that one or more you did not get paid for?---Possibly, I'm not sure. I don't have my details, that detail in front of me.

10 But why would you not have been paid for an invoice?---Well it might have been, it might have been credited and re-invoiced or something, I don't know. I don't know the detail.

MR STRICKLAND: Could the witness please be shown Exhibit 85? This is your bank statement. If you go to the entry of 10 September and just I want you to compare your bank statement with Exhibit 82. On 10 September you were paid for invoice 1-9-0-6-0-9-1 on 10 September. Do you agree with that?---Yes. Yes.

20 Go to the, on the third page, on 2 October you were paid for invoice 1-9-0-6-0-9 - - -?---0-9-2.

Okay. 0-9-2, thank you. On the sixth page on 19 October you were paid for invoice 1-9-0-6-0-9-3. Is that correct?---(No Audible Reply)

THE COMMISSIONER: What's the amount of that one?

MR STRICKLAND: Yeah. \$7425?---Yes.

30 And then on 22 October you were paid \$3575 for invoice 1906094. Do you agree with that?---That's correct.

So what does - what work did you do for invoice 89101, \$7562.50 Exhibit 125?---Don't recall being paid for it.

What work did you do in relation to that tax invoice?---Sorry, I don't recall being paid for it, I don't recall it.

40 Well forget being paid for it. You've rendered an invoice, I assume - do you say it's a bogus invoice or a genuine invoice?---Well at the time it would have been for, for works provided but I don't know that I ever got paid for it.

Is it, is it a bogus invoice, that is a false invoice for work you never did or a genuine invoice for work you did?---No, all of my invoices was for work I did.

So the answer to that is this is a genuine invoice?---Depends on, on whether I'd been paid for the previous one or whether I was generating another

invoice for that to cover that but and, and clearly, clearly Exhibit 82 I've been paid for, so I don't know whether I was ever paid for 125.

THE COMMISSIONER: But whether you paid for it or not is your evidence that it was a genuine invoice?---No, it's not - not that it was a genuine invoice, I don't know, I don't have the detail in front of me.

Well why would, why would you send out a false invoice?---I don't know that I sent it out.

10

No, I'm sorry. You said - you can't say it was a genuine invoice therefore - I mean it was either a genuine invoice or a false invoice?---I don't have the detail in front of me, I don't know whether I sent it out.

Just a moment please, Mr Paul. You accept that it was either a genuine invoice or a false invoice, it can't be anything in between?---No, it might - -

20

All right, okay. That's it. Right. Is there a possibility that it was a false invoice?---It's a possibility that it wasn't an invoice sent out.

No, no. I'm sorry. I'm asking you is there a possibility that it was a false invoice?---No.

Therefore we must take it as a genuine invoice?---No.

30

No. Well I - then I (not transcribable)?---Depends on where you got it from. If you, if you actually got it from my - one of my folders it may not have ever been sent out.

All right. If it was sent out then it was a genuine invoice?---If it was sent out and it was paid it was a genuine invoice, yes.

No, I'm sorry. That's not what I asked. I asked if it was sent out was it a genuine invoice?---I don't recall sending it out.

If it was sent out was it a genuine invoice?---You don't need to yell, Commissioner, I can hear you - - -

40

You are not answering my question?---I am answering your question, I'm trying to answer your question.

Mr Paul, you have said - when I asked you whether it was a genuine invoice or not you said you couldn't say because you didn't know whether it was sent out. Do you recall saying that?---Correct.

Now I'm saying to you if it was sent out was it then a genuine invoice?---If it was sent out it would - would have been a genuine invoice.

Thank you. Yes, Mr Strickland.

MR STRICKLAND: So did you do training for tender submissions in Sydney in July 2010?---I don't recall.

Well - - -

10 THE COMMISSIONER: But if it was a genuine invoice you would have to?---No, not if it was linked to the previous stuff. As I said if it didn't get sent out then it wasn't - then it's a mute point.

MR STRICKLAND: Well irrespective of whether it was sent out there's no doubt that you have created a tax invoice which states you have provided consultancy services stage 4 of 7 training for tender submissions Sydney July 2010 is there?---I've created that document, yes, yeah, that's true.

20 And when you created it then if you were sending - if you were preparing to send out a genuine invoice then you would have genuinely engaged in training for tender submissions in Sydney in July 2010. Correct?---No.

Well how do you explain then what is contained in the description of that tax invoice?---I don't know whether it was sent out, I don't know whether, I don't know whether it was sent out.

But that's not what I'm asking?---I'll give you an explanation.

No, no. I want you to answer the question?---I'll give you an explanation.

30 How - - -

THE COMMISSIONER: Answer the question?

MR STRICKLAND: How do you explain - - -?---Ask the question again, please.

40 Well, how do you explain writing in the description of a tax invoice "Training for tender submissions in Sydney, 2010" if you did not in fact train anyone at Q Video Systems in July 2010?---As I said, it may not have been sent out. I don't know whether it was sent out or not, if it wasn't sent out then it's a moot point, it's a document in a, in a bunch of folders.

So you prepare, you prepare a tax invoice just for the heck of it, whether it's true or not, is that correct?---No, there would have been a reason behind it at the time and I don't recall.

THE COMMISSIONER: Well, the only genuine reason could be that you performed those services?---No, if - I'm happy to explain if you want me to explain.

Yes, explain?---Okay. On the prior four invoices I've said there's work in Perth, there's work in Queensland, there's work in Victoria and there's work in Sydney and all of that work took place in Sydney. So I broke it down for the client at the time so that they could spread it out, right. That invoice being Exhibit 125 or whatever it is, 89101, may not have been sent out. If it
10 was just sitting in my folder then that doesn't mean that it was a genuine invoice or that it was even sent out.

MR STRICKLAND: So why had you prepared an invoice that you didn't send out?---I don't recall the detail of it.

So isn't the truth that you sent this invoice out and you were not paid for it?
---I don't recall.

And isn't it the case that Mr Stokes asked you what this was all about, what,
20 what this, what this invoice was all about? That's true, isn't it?---I don't recall having a, I don't recall the invoice therefore I don't recall any conversations surrounding the invoice.

And he said he wasn't going to pay you?---I don't recall that.

Did you give Q Video Services any, or did you work with Q Video Systems after September 2010?---I don't recall when I worked with them.

What's the answer, I didn't hear it?---I said I don't recall when I was
30 working with Paul on that stuff.

You see, this is not a genuine invoice, is it?---I don't recall the detail of this invoice.

This is a tax invoice you sent out, not for any work you did for Q Video Systems but as part of an arrangement to get kickbacks from Q Video Systems?---Not true.

I'll show you another invoice or I tender another invoice. Invoice 180807
40 dated 18 August, 2007.

THE COMMISSIONER: Invoice 180807 dated 18 August, 2007 from SCI to Baxall Australia Pty Limited is Exhibit 126.

#EXHIBIT 126 - INVOICE 180807 ISSUED BY SCI ON 18 AUGUST 2007 IN THE AMOUNT OF \$13,454.10

MR STRICKLAND: Do you recall sending this invoice out?---Yes, I do.

And you got paid for it?---I believe I did.

And what did the work you do, what work did you perform or service did you render in relation to this invoice?---I presented to Paul Thompson details of a tender shootout, not a tender shootout, a product shootout that was conducted earlier that year. It was one of two invoices for the same purpose.

And that was in relation to Westfield, is that correct?---The product shootout I believe involved Westfield, GPT and Lend Lease.

So in what capacity were you retained by Q Video when you did that work? ---When I presented this, it was just to present the, the detail of the shootout so that they could better understand the assessment process and what we were looking for in relation to cameras and digital recording equipment.

20 THE COMMISSIONER: Mr Strickland, I don't understand what invoice 126 has to do with Q Videos so I don't understand your last question?---It's not 126, Commissioner, its page 290.

MR STRICKLAND: Exhibit, exhibit 126.

THE COMMISSIONER: I beg your pardon?

MR STRICKLAND: I think we're at cross-purposes. It's Exhibit 126, page 290 - - -

30 THE COMMISSIONER: Yes.

MR STRICKLAND: - - - on the top right-hand corner.

THE COMMISSIONER: Well, my question stands.

MR STRICKLAND: I understand. The witness has given evidence that it does relate to Q Video but perhaps - the question is the bill is, the bill is addressed to Baxall Australia Pty Limited?---Yes.

40 But you got paid, you got paid for this bill by Q Video. Is that correct? ---It's the same company, they changed their name.

I see. Now in 2010 you received a projector didn't you?---Yes, I did.

And what kind of projector was it?---Just a Sony TV projector.

Yes. And you – what do you use the projector for?---Watching TV.

Right.

THE COMMISSIONER: I beg your pardon? Watching TV?---Yeah.

Commercial TV?---Yeah, just normal TV. It's like a video player type of thing.

MR STRICKLAND: And I want to suggest to you is – I'll withdraw that.
10 And you picked it up from the Q Video Systems office didn't you?---I don't recall.

And - - -

THE COMMISSIONER: Where did you get it from?---I got it from Q Video, but I don't recall whether I picked it up or they delivered it or what. I don't recall the detail of the delivery.

MR STRICKLAND: And why did you – and what circumstances did you
20 accept delivery of a Sony projector from Q Video?---I was in discussion with Sony and in discussion with, with Paul Thompson at the time asking about projectors and they said they'd get me one.

All right.

THE COMMISSIONER: Who said they'd get you one?---It was either, it might have been Sony or it might have been Paul. I don't recall which, which company - - -

30 I thought you said earlier that Q Video gave you the projector?---It was, it was delivered through them, yes. They were the agent for Sony.

MR STRICKLAND: And Q Video paid for that didn't they?---I don't recall whether it was them or Sony.

Okay. And I want to suggest to you it was valued in the order of \$9,000? ---Was it?

Do you agree with that?---I don't recall the detail of the cost of it.
40 So what were the, why – so that was a gift from Q Video. Is that correct? ---Or Sony, I don't recall who, which company.

Okay. And why would either Q Video or Sony give you a gift of a Sony TV projector in 2010?---For all the cameras that had been specified over the years I assume.

All right. When you say you assume, what have you been told about why you were being given that gift?---They didn't, they didn't go into detail on

why they were giving me the gift. I asked them about a projector and they said they would get me one.

So when you say all the cameras specified over the year, you mean all the cameras specified for Q Video System?---No. No, for Sony.

Yes, but supplied by Q Video System?---No, not necessarily.

10 Well forget not - - -?---If it was, no, if it was provided by Sony, if the gift was provided through Sony, then the carriage may have gone through Q Video but there were many other companies selling Sony.

You've just, you've just said in your evidence it was a gift either from Sony or from Q Video. Is that correct?---Yeah. I don't know which.

Well if it was a gift from Q Video it could only be a gift for cameras you'd specified which Q Video Systems had supplied?---I don't know.

20 THE COMMISSIONER: Who did you tell that you wanted a projector?---I told one of the guys at Sony and also Paul Thompson.

MR STRICKLAND: What did you say to him?---I said what are the better, what's one of the better home projectors available through your company, so it was at Sony.

By through your company you meant through Q Video?---Sony.

THE COMMISSIONER: So your answer is yes?---Through Sony, yes.

30 What are Q Videos to do with it then?---They were the agent for Sony or one of the agents for Sony.

That doesn't mean to say they'll necessarily give you a projector?---No. And that's why I don't know whether it came from them or not. I picked it up from them or they delivered it for me but - - -

Why did Q Videos do that?---I have no idea. They've done some, some arrangement with, with Sony.

40 To get you the projector?---Well no, you'd need to speak to them about what the arrangement was.

Well it was through them that you got the projector because either they arranged for it to be delivered to you or you picked it up from them. Isn't that your evidence?---Yes.

MR STRICKLAND: So whether it be to Sony or to Q Video this was a gift given to you in return for assistance that you had provided either those

companies for all the cameras you had specified. Is that correct?---Not assistance, if I've specified a camera it doesn't mean I'm giving them assistance.

I see. Do you think it was appropriate to accept such an expensive gift from either Q Video or Sony?---Given that I specify Panasonics and every other brand under the sun, yes, it doesn't matter to me.

10 And do you get gifts to the value of around \$9000 in Panasonic?---Haven't done, no.

So you asked for that gift didn't you?---I asked for, I asked for details on the projector and they said they would give me one.

You asked for the - you asked to be given it didn't you?---No, I asked for details on the projector and they said that they would give me one.

I see.

20 THE COMMISSIONER: Who did you ask?---Sony.

MR STRICKLAND: I thought you said you also asked Mr Paul Thompson?---I may have mentioned it to Paul but it was Sony that was, that was the, that was the company that I asked about what the appropriate home theatre projector is.

When you say - - -?---Through their company.

30 - - - and I quote you - when you say and I quote you, "I may have mentioned it to Paul Thompson", do you recall even a few minutes ago your evidence was that you did in fact speak to Mr Thompson about getting the Sony home, home projector?---Well ultimately I've spoken to Paul otherwise I wouldn't have picked it up through his company.

I want to suggest, Mr Paul, that in relation to the invitation to Q Video Systems to come to the Art Gallery to try out camera angles et cetera. Do you remember that evidence you given?---Yes.

40 You didn't issue that invitation to any other wholesaler or distributor in relation to the Art Gallery project did you?---Yes, I did, I told you that earlier.

And who - which wholesaler or distributor actually came to the Art Gallery?---Austar.

Any others?---Pelco were there.

And doing the same kind of thing that Q Video were doing, is that correct?

---No, supporting the same process, yes.
Well which, which - - -?---Austar were, were doing it on a different product,
yes.

I see. And when you say Austar which person from Austar came?---It was
either Morris Ciot or Peter Gorrie at the time, I think it was Peter Gorrie off,
off memory.

10 So Morris Ciot was someone who was also someone who you were
considering whether should be the wholesaler or distributor, is that correct?--
--Wholesaler, distributor of what?

For this Art Gallery security upgrade?---For certain products.

Did he get any in relation to the Art Gallery project?---On people counting,
he provided people counting product.

20 How much, how much did that involve? How much money did that
involve?---I've no idea, I don't recall the details of it, I'd need to go back to
the tender documents.

And who from Pelco turned up?---Terry Yallouris.

I beg your pardon?---Terry Yallouris.

30 Thank you. And I want to suggest to you that there was no other wholesaler
or distributor that you actually provided the budget for the Art Gallery to
apart from Q Video Systems. Do you agree or disagree?---I've already said
that, yes.

No, you haven't in relation to that particular question. I want you to answer
that question, please?---You have asked that question before and I'm
answering it, yes. The only people that I gave the or that I worked with to
develop the budget on the CCTV component was, was Tony Theissen at, at
Q Video.

Thank you, Mr Commissioner, they're all the questions I wanted - - -

40 THE COMMISSIONER: Yes, thank you, Mr Paul. If you wouldn't mind
leaving the witness-box - - -

MR PAUL: With pleasure.

THE WITNESS EXCUSED

[10.38]

THE COMMISSIONER: - - - and you're still under your summons. Mr Stokes, can you return to the witness-box. Mr Stokes, you're still under your oath and the section 38 order still applies to you. Do you understand that?

THE WITNESS: Yes, I do.

THE COMMISSIONER: Is Mr Griffin here?

MR STRICKLAND: Mr Griffin advised me, he apologises, he's in another matter, he did advise me of that yesterday but his solicitor is here.

THE COMMISSIONER: Yes.

10

MR STRICKLAND: Excuse me for one moment.

Can the witness please be shown Exhibit 80. I'm sorry, I beg your pardon. Exhibit 81.

20

I want to take you back to the text you sent to Mr Daniel Paul on 2 September where the first line of that text, number 865, "Okay, by the way I was also never told that we were in the loop for the Art Gallery as there is not", it should be not I think, "a lot in this for us so I am surprised also I have not seen an invoice yet." In that text - sorry, why did you write to Mr Paul at that, in that particular text that you were never told you were in the loop, we were in the loop for the Art Gallery?---I refer to a conversation we would have had in the previous days where there was conversation about the money we owed Daniel for the work he did plus there was mention of there was also rebates applying to this project and you haven't been hit with that yet and I said well, that's news to me and my understanding from reviewing documents, there was an email sent around mid-February I believe 2009 by Paul Thompson offering rebates to the Art Gallery. No one in Melbourne knew about those rebates and that was the first I heard of rebates was when Daniel mentioned it in these calls, that's what I mean by in the loop for the Art Gallery.

30

THE COMMISSIONER: Rebates payable to who, Mr Stokes?---Reading the text message, ah the email, it was to the Art Gallery, it was being offered to the Art Gallery.

So why did you want to know about it, if it was to the Art Gallery?---I knew nothing about it, that was my problem.

40

Why did you have to know about rebates to the Art Gallery?---Because that would affect the margin on the project and we took the margin at a very low margin anyway on this project, if there was rebates payable after the supply of the product to the Art Gallery it would have ate into our margin even further, it was ridiculous.

I don't understand that, sorry, I don't, who pays the rebates?---We do, Q Video systems.

I see. So why does the Art Gallery pay it?---The Art Gallery doesn't pay anything.

So who - then I don't understand what is happening here?---Okay. The conversation would have went that you owe me money for the invoices and I recognised that and I said well, I haven't seen those yet so let me see that and we'll work that out. By the way, you've also got some rebates due to the Art Gallery for the supply of equipment to the Art Gallery project.

10 You mean from Q Video to - - -?---From Q Video to the Art Gallery - - -

Yes?--- - - - and I said well, that's news to me and hence I had no knowledge of that and it was an offer made by Paul Thompson on, as I said, the, I think it was 20 or something of February and I know that its been exhibited here, that email.

The offer to pay rebates?---The offer to pay rebates from Q Video to the Art Gallery.

20 Thank you. Yes, Mr Strickland.

MR STRICKLAND: And were, did Q Video ever pay rebates to the Art Gallery?---No way, no, mate. There's no way, we had no budget for that in this project, we knew nothing about it and we wouldn't have taken the order if that was the case.

THE COMMISSIONER: Sorry, are you saying that when you did the deal, when the order was placed with you in other words - - -?---When the order was placed with our Sydney office we, I had no knowledge of rebates and if
30 we had of known we would have wanted an increase in price to cover it if we had to pay them to the Art Gallery.

And, and was this a deal between Q Videos and, and Mr Paul representing some other party?---There is only one email I have seen and its been after exhibiting documents to ICAC which said from Paul on behalf of Q Video Systems and the other suppliers there'd be between one and five per cent rebates can be paid to the Art Gallery.

40 Yes, I understand that. My question relates to the actual ordering of the goods from Q Videos for the tender?---Yes.

That was an order placed by Kings I take it on Q Videos?---Kings placed an order to Q Video, yes.

And was that, did Mr Paul have anything to do with that or nothing to do with that or - - -?---No, nothing to do with that.

And in the order that Kings placed on Q Videos for work for the tender there was no reference to rebates there?---No.

Is that what you're saying?---That's correct.

Yes, thank you.

MR STRICKLAND: The idea of a rebate is to reward the end users of purchasing the product. Is that correct?---That's correct.

10

Could the witness please be shown, excuse me, Exhibit 91 and also Exhibit 79, please. If you go to Exhibit 91 first, it's on 24 February, Mr Paul writes to Mr Thompson and Mr Yallouris and paragraph 2 refers to, he seeks confirmation in writing of any product rebates being offered by your organisation. Rebates will be claimed directly by the Art Gallery of New South Wales, et cetera. I take it – were you aware of that request or email at the time?---No.

20

Or the issue of the rebate at the time?---No.

Go to Exhibit 79 please. If you go to 25 February, 2009 that's on page 185?---Ah hmm. Yep.

Just read the email please to yourself. At the bottom of the page from Paul Thompson to Daniel Paul, in particular the third last paragraph?---Yeah, I've read that many times since we've supplied it to ICAC.

30

So you say you had no idea that Paul Thompson had written to Daniel Paul confirming that Q Video Systems will be able to offer rebates on some or possibly all products being proposed?---No idea that this email existed.

So you'd never had a discussion with Mr Thompson about that?---No.

THE COMMISSIONER: You never had one at the time, have you had one since?---Mr Thompson, no, well, when we saw the original invoice and the demand, well not the demand from Daniel but the indication that rebates will be payable too I would have had that conversation and said there's no way known we're paying any rebates.

40

That's a conversation with Mr Thompson?---Yes, it would have been at the time.

But you don't, you say it would have been so you don't recall it? You have no independent memory of it?---No. I would have had the conversation I can guarantee you.

MR STRICKLAND: But your evidence yesterday as I understood it was that Mr Thompson had the authority as the New South Wales state manager to offer rebates?---Yes.

Well he has now indicated fairly clearly that Q Video will be able to offer a rebate and then when the rebate is claimed you are stating to the security for the Art Gallery that you're not going to pay what had been promised before?---Yeah, no, 'cause we had no margin - - -

10 So no, you don't agree with that proposition or - - -?---I agree, I agree, I said you're not getting, you will not get a rebate out of Q Video Systems. We did not have the margin in the project and we were getting screwed around massively on this project.

In what way were you getting screwed around massively on the project?
---There was technical problems with the Pelco product.

20 You mean Endura 2?---Yes. It was released, it was not – when it was installed by Kings there was problems on site. Q Video made numerous requests to Pelco and pointed out the issues. The installation and the network switches that we supplied were put to blame to it and there was just a lot of to-ing and fro-ing between Kings, ourselves and Pelco. And I, I can't recall the exact time but I would say it took three or four months to rectify.

You're talking about the Endura 2 product?---I'm talking about the, yeah, the Endura 2 product Pelco supplied for that project.

30 But in your experience products that have just been released normally have teething problems don't they?---They do indeed.

Significant, and they can have significant teething problems?---In video in particular because on a network there's putting a lot of video down a network causes networks to crash so, yes, definitely.

Did you communicate in writing to either Mr Thompson or Mr Paul that you would not be paying the rebate?---No.

40 Did you communicate that to the Art Gallery in writing?---No. We were never, there was never an official request from the Art Gallery to pay a rebate, if there had have been we probably would have had a conversation and tried to do a deal with them but I would say we would decline to pay them anything.

When you said there was no official request from the Art Gallery, my understanding was that Mr Paul acting as the consultant, ie, the agent for the Art Gallery did make such a request?---Well, it's not in writing so it wasn't

an official request. I haven't seen anything in writing so if you've got it there I'd love to see it.

Did you ever ask, did you ever say to Mr Paul or did Mr Paul ever say to you that he was going to make you an official request in writing for the rebate?---I don't recall.

10 If I can just remind you of some evidence you gave yesterday when the Commissioner was asking you some questions in relation to these, these invoices and in particular the \$25,000, sorry, the \$27,500 invoice, that's the \$25,000 invoice plus GST, I'll call it the \$27,500 invoice?---Dated in the period 2009, correct?

20 Correct, exactly. You were asked this question by the Commissioner at 1386, line 38, question, "So was there an incentive to pay this amount, that's the 27,500, because you thought that if you didn't pay you would harm your chances of winning work?" and your answer was, No, incentive to pay, no, incentive to pay 25,000, I can tell because we had cashflow issues at the time, I was very angry actually not knowing about it. Answer, sorry, question, "So you're saying it would be quite wrong but you'd pay it because you knew that all projects that were going on around the country and if you said no your, and if you said no your chances of winning any work say in relation to Westfield, Lend Lease and probably the Art Gallery and other projects, that they would be affected. It would be wrong to say that would it?" and your answer was, "Yes." Do you recall those answers yesterday?---I do.

30 Do you want to change them?---No, in the context of that last question, it's quite a confusing question but I'd love to see it.

THE COMMISSIONER: Do you understand the question?---Can you just again slowly because I - - -

MR STRICKLAND: I'll tell you what, no, no, I'll - - -?---It's a very confusing question.

No, I understand?---I'm sure you understand.

40 No, fair enough, I'll hand you my copy and it's just the very last question and answer at 1386?---It's the last paragraph, right.

THE COMMISSIONER: I'm sure Mr Strickland will be able to ask, ask the question with greater clarity than I did so perhaps you might do it again.

MR STRICKLAND: I'll do it again. So the question was, sorry - - -

THE COMMISSIONER: Read it first, Mr Stokes. When you've finished reading it just tell us if you still - - -?---Yes, no problem.

- - - have any misunderstandings or if you're confused about it at all?
---You'll have to excuse me but I still don't understand it.

All right. No, that's fine?---I'm sorry.

No, no, that's all right?---I'm not a, I'm not a humanities expert.

No, it's not a very good question I agree?---No.

10

MR STRICKLAND: Well what were you asked about was this in your mind did you believe that you had to pay this 27,500 because if you didn't then Dan Paul wouldn't give you any more work?---No, not at all.

Okay.---If we didn't pay the money we would have had an argument about it but I - - -

THE COMMISSIONER: It wouldn't affect any work you would get in the future?---It could have in the future, yes, but I don't know that.

20

No, but - - -?---I don't think it would affect any work in the future.

- - - the question, the question I asked was it - was whether the fear of not getting work in the future induced you to pay that invoice?---No. I've, I've always supported every staff member we have when they put something forward we back them up 100 per cent. In ways, I'm sorry I've ever done that to half of these people but that's life. We are where we are.

30

MR STRICKLAND: Now do you recall giving evidence at a private hearing or a compulsory examination in April this year?---I was here, yes.

Okay.---Faded memory on that though I must admit.

I want to ask you some questions about some answers you gave at that hearing.

Commissioner, I seek an order vacating the suppression order in relation to -
- -

40

THE COMMISSIONER: Yes. The suppression order relating to the evidence given by Mr Stokes at his compulsory examination is vacated.

**THE SUPPRESSION ORDER ON THE EVIDENCE OF MR STOKES
AT HIS COMPULSORY EXAMINATION IS VACATED**

MR STRICKLAND: I will show you, I won't read it to you because it's - I'll, I'll show you so you can follow me the transcript of that evidence. Now if you just go to page 1139 at line 20. And you were asked - so if you could look at that email trail between '96 and back to '93 of the documents you have and let me just show you these pages all of one of which has been tendered. Let's have a look at that.

I, I tender for convenience pages 93 to 96. There is one new document.
THE COMMISSIONER: Yes. Mr Lloyd.

10

MR LLOYD: Just (not transcribable) so that we know we're on the same page.

THE COMMISSIONER: 1139.

MR LLOYD: 1139 and then there are some (not transcribable) being tendered.

THE COMMISSIONER: Yes. Mr Lloyd, it will all become clear.

20

MR LLOYD: Well its nice to be clear (not transcribable)

THE COMMISSIONER: It'll become clear now, just a moment.

MR LLOYD: Thank you.

MR STRICKLAND: I'll clarify, the, the email I've just tendered - - -

THE COMMISSIONER: No, no. The documents you've just tendered.

30

MR STRICKLAND: The documents I've just tendered has a - it's an email chain, top of the email chain is Rick Stokes to Leonie White but that simply attaches a number of emails, the last of which is from Paul Thompson to Rick Stokes dated 3 September 2009.

THE COMMISSIONER: But, but as I understand it, Mr Strickland, the point is that the documents you are tendering comprise the email trail between '96 to '93 refer to in lines 21 and 22 of page 1193.

40

MR STRICKLAND: That's exactly so.

THE COMMISSIONER: And so Exhibit 127 comprises pages 93 to 96 refer to and lines 21 and 22 on 1139 of Mr Stokes compulsory examination on 23 April 2012.

#EXHIBIT 127 - COMPRISES EMAIL CHAIN CONSISTING OF PAGES 93-96 REFERRED TO AT LINES 21 AND 22 OF PAGE

**1139PT OF MR STOKES' COMPULSORY EXAMINATION ON 23
APRIL 2012**

THE COMMISSIONER: Sorry, that's number 127, that's Exhibit 127.

MR STRICKLAND: So I'll ask you to look at Exhibit 127 at the same time as I take you through your transcript. Do you have 127?---Is that it?

10 I think that is it, yes. So if you go to 1139 line 20 you've been asked to look at the email trail between '96 and '93 and I can - - -?---Yeah.
- - - tell you that that is Exhibit 127?---Righto, okay.

And then at line 32 you were asked, as in 1139, All right. O.K. It appears that you become part of this email trail on 3 September, '09 on page 93. And do you see the email from Paul Thompson, "How's this, how's this for funny"? Do you see that?---Yes, I do.

20 And by the way what did you understand Mr Thompson to be referring to when he said, "How is this for funny"?---It would have been in relation to the phone conferences that we've had in the previous days.

And in what way was it funny?---Well the invoices being around for a while. He hadn't seen it and I complained that I hadn't seen an invoice.

If you go then to, over the page to 1140, you were asked some questions, I'm just giving you the context, you were asked some questions about these documents, pages 93 to 96?---Yep.

30 And in particular you were asked questions about the invoice which is on page 96. Do you understand that? That is page 96 of Exhibit 127?---Yes.

You had a look at page 96 and Exhibit 127?---Yes, I have.

And that is the invoice I've been asking you about, the 27, 500 invoice?
---That's correct.

40 Which, which Commissioner is Exhibit 80. And then you were asked this question at the bottom of line 1140, "Is that the sort of invoice which you would pay?" And so there you're being asked about the invoice at page, at page 96. "Yeah, well I mean it doesn't, it doesn't say, I mean, two things, yeah". Without even thinking about it you see two things are missing, (1) is the nature of the services, (2) is the date and you might even say (3) is where and number (4) is what. So you're being referred to all the things that are not included in the tax invoice at page 96. And then you say, "I agree, sir. And in hindsight, and hence I've been questioning things around this time, but it was basically too late. We paid it because we knew that there were all these projects that were cooking, cooking around the country.

So if we said no we're not paying you, mate, forget that I'd say our chances of winning any work in relation to Westfield, Lend Lease and probably the Art Gallery and probably all the other projects which has happened ever since we had. I really dug the heels in and said what's this all about. We have not got any work whatsoever." Do you see that answer?---Which part of the, oh yeah, I think I see it.

You see it?---Yep, I do see it.

10 You see Mr Stokes, what you're, what you're stating in that answer in relation to the invoice at page 96 is that if we did not pay it you believed that QVS' chances of winning any work in relation to, you've named them, Westfield, Lend Lease and probably the Art Gallery, would probably disappear. Correct?---Reading that, yes.

And that's the complete opposite of what you said to the Commissioner yesterday isn't it?---It seems that way, yes.

20 So which is the – which answer is the true answer?---The true answer would be, I couldn't tell you what the true answer is 'cause we paid the invoice. We didn't pay this invoice, sorry, we paid four more invoices were tendered that detailed what the work was.

30 Mr Stokes, you know perfectly well that that is not an answer to my question. And the question is there was no doubt you paid the invoice and you know that's not an issue. The question is why did you pay the invoice. Did you pay the invoice because you genuinely believed the work was done and therefore you should pay the invoice or did you believe you had to pay the invoice because if you didn't your chances of winning any work would disappear? Which is the truth?---The truth is I believe some work was done and I believed if we didn't pay the invoices we wouldn't have got the opportunities that were presented to us in the past.

I see.

THE COMMISSIONER: And that because, because of Mr Paul?---Mr Paul specified equipment and - - -

40 His influence was so great that it could result in you, in your chances of winning work in relation to Westfield, Lend Lease and probably the Art Gallery and probably all the other projects which have happened ever since would be seriously affected?---I believe that would be the case.

MR STRICKLAND: And when you say you, you believed at the time you paid these invoices that some work was done, it therefore follows that you also believed that not all of it was done?---I was led to believe all the work was done.

That's not my question. When you say that you believed some of the work was done then what follows from that statement is you did not believe that all of the work had been done, correct?---I believe the amount was excessive and was overcharged for what was work done to our company.

So did you believe that part of it was in effect a kickback?---No. It was an overcharge.

10 THE COMMISSIONER: Well, it was a bribe?---No, no. It was - - -

Why was it paid?---Why was it paid?

Was it paid as a blackmail?---No, it was paid because it was approved by our staff member - - -

No, that's not an answer, Mr Stokes, you've said that you thought that if you didn't pay it you wouldn't get work in the future?---That was a possibility, yes.

20 So that's why you paid it?---We paid the, we paid the invoices that were presented and approved by our staff member.

Well, let's put it simply?---Yeah.

A demand was made by invoice, not so?---Yes.

You had serious misgivings about that invoice?---That invoice, yes, and it was reissued.

30 But you decided to pay it - - -?---We paid four invoices.

- - - because you thought that if you didn't pay it your chances of getting work in the future would be prejudiced?---Yes.

40 MR STRICKLAND: And why did you think that, had threats been made? ---No, no, it's, it's just the, the history of this industry is it's a, I don't like the security industry, I've made a lot of money out of it but I haven't enjoyed my time in it all the time and the history is that you scratch someone's back, they scratch yours and that's in, everything in the technology market I believe is the same and, you know, I'm not proud of a lot of things that have happened in our company over the years but we've tried to put things in place to rectify that now and - - -

What do you think could be done to, to rectify the position?---We, we have since the events of late 2010 we've put a Code of Conduct in place for our company as per ASX requirements, we have recently sent it out to every staff member at Q Video Systems and Q Technology Group to sign and return, if they don't then we'll want to know why and it will, it will be

instant dismissal for any of this, any shenanigans in the future and I'm not proud of where we are.

That's all right and thank you for answering that, that's helpful. My impression that I get from your evidence is that as far as you're concerned dishonest practices are rife throughout the security industry?---Oh, the, the security, construction, electrical, it's just a, you know, it's a crap industry but I've made a lot of money out of it personally along with - - -

10 I understand that?--- - - - all our staff so it's a lifestyle, isn't it?

It seems so.

MR STRICKLAND: You mentioned that you had, Q Video have made some improvements, is that correct?---Pardon?

I'm sorry, I'll speak up. I'll show you this document. Is that a document that you prepared or that - - -?---No, I didn't prepare it, our - - -

20 THE COMMISSIONER: You caused it to be prepared?---Yes, under instructions from our board we put in a Code of Conduct, that would have been prepared by a legal advisor in conjunction with our company secretary and delivered to the board of directors for signoff and published on our website.

MR STRICKLAND: I tender that.

THE COMMISSIONER: Q, Q Technology Group Limited's Code of Conduct is Exhibit 128.

30

#EXHIBIT 128 - CODE OF CONDUCT FOR DIRECTORS AND KEY OFFICERS OF Q TECHNOLOGY GROUP DATED 14 JANUARY 2010

MR STRICKLAND: I just want to ask you one thing in relation to one final thing about the \$27,500 payment. Have you still got your - the transcript of your compulsory examination there?---No, I haven't I'll get it now.

40

Just go to page 1124. If you go to line 8 you were asked, and again it's about the same invoice, "You've no idea what this 27,500 was for when it hit your desk by the CFO," answer, "No, until I asked." So is the case that you first learnt about the invoice from your chief financial officer, is that correct?---The - it's a long time ago, very cloudy but I would have, I would - Jamie used to always ask me is this okay to pay and that's when we would have started the questioning and it all would have coincided about the phone calls and the - I believe don the Friday or Saturday of that week.

But, but do you know - given your evidence was that the system of payments was if it was approved by the state manager it was automatically paid?---Yeah.

Do you know why on this occasion your CFO pulled this particular invoice up and asked - and brought it to your attention?---The exhibit you just gave me before there was a, a chain of emails back and forward and the accounts girls asked Jamie, Jamie our CFO what do we - what code do we code this invoice to, Jamie then asked Paul, Paul was this the same as last time for Daniel Paul. I think that's the gist of it. So, no, it wouldn't have just went back bang here we go, they wanted more evidence that the work was done.

And then if I go back to 1124 you were asked this question, did you question Mr Thompson in any detail what this consultant services training for tender submissions involve. Do you see that? That's 1124 line about 14?---Yeah.

And then you were asked another question - then, then you were asked this question at line 22, "What did he tell you?", answer, "He said it was all training for our sales guys so they could prepare tenders for projects"?---Ah hmm.

See yesterday your evidence was that Mr Thompson had told you it was just training for himself and not for anyone else?---Yeah. But then Paul would have put the training through and the knowledge through our sales team in their weekly sales meetings they would have had. No. But did Mr Thompson - when your answer, your answer there was that the, that the actual training that had been done was training for a number of different salesman - - -?---Yeah.

- - - in the company so that they could prepare tenders?---Yes.

Your answer yesterday was that the training was in relation to Paul Thompson only?---Yeah.

Which is the truth out of those two versions?---To, to my knowledge the training at the time when I had this examination was done for everyone, later in documents that I've seen it was - well I surmised it, it was just Paul Thompson. Now I've may have made a wrong assumption there but that's where, that's where I am in my statement.

But what I'm asking is what did he actually tell you? Did he tell you that the training had been done - - -?---Yes.

- - - just for him or did he tell you that the training had been done for a number of the sales guys in the company?---I can't recall the exact conversation but it would have been predominately with Paul Thompson.

So that answer you gave - are you saying the answer you gave in the compulsory examination was incorrect?---It was correct at my time in my mind, on reflection of this - the situation that the enquiry is at I would say it was just with Paul and he would have conveyed the, the training to the sales guys in weekly meetings.

10 Okay. Now I want to ask you again please about that - if the witness could be shown Exhibit 83. Now you said yesterday that this payment was for rebates in relation to rebates for shopping centres was your evidence yesterday. I'm sorry, that's invoice 3-1-2-0-7. Would you like me to remind you precisely what you said?---I, to my knowledge the invoices we paid Mr Paul at those times were rebate related.

You just said, this is – “I believe the invoices in these periods and those periods were relating to rebates for shopping centres”?---Yes.

20 And what shopping centres were they?---Westfield, GPT, Stockland and I think there were some Lend Lease projects around that time. Attached to this invoice would have been a schedule of purchases which a calculation could be made of.

But Mr Paul was a security consultant in relation to those projects wasn't he?---I understand, yes.

So why is the security consultant getting paid for rebates rather than the end user of the products?---The end user of the products were paid rebates as well.

30 I understand that, you've said that. But my question is why does the security consultant get a rebate, he's not using the product?---I understand but that was the arrangement that was agreed on several years ago with Daniel Paul and we have a, I recall an email from Dan which I sent to Paul Thompson with one of these invoices attached telling us he declared his interest to his customer or his client and hence I figured it was all, all above board. It's not my – we agreed to pay Daniel Paul rebates, I don't know what - - -

40 THE COMMISSIONER: You said several years ago was it?---Several years ago.

What precisely was the terms, what were the terms of that agreement?
---Five per cent of products used on a project purchased by the trade, trade client or the integrator will be paid as a rebate. And it's, it's like a five per cent commission on sales is probably more the, more appropriate way of - -
-

And did you always pay him that?---As far as I know, yes.

MR STRICKLAND: I'll just show you this document and I think you referred to an attachment. Is that the attachment you're referring to? If you look at the actual number 10436?---Yep.

Is that, is that the document you're referring to?---Given that that is the exact number on that number it would be the document I'm referring to. And it also refers to five per cent of sales. Do you see that?---That's correct.

10

I tender that. I'd ask that that be attached to Exhibit 83 or form part of Exhibit 83.

THE COMMISSIONER: What do I call it? It's a table.

MR STRICKLAND: Just a rebate table?---Rebate - - -

THE COMMISSIONER: A rebate table, thank you. The rebate table will form part of Exhibit 83. Can you just explain that table please Mr Stokes, because I don't - - -?---Yep.

20

Does it relate to a particular period or what?---It would have, but - - -

You don't know what that is?---No.

It's just over some undefined period?---That's correct. It may have been in the body of the email there would have been an explanation.

I see?---And you'll see the company's on the left hand side, AFN, Albecks, Austek, SECOM, Answer, Honeywell and Kings did the projects. The other part of the table lists the products what he used along with the amounts of products and the grand total of 208,000 five per cent of that is 10,436.

30

So you pay, you pay the rebate to all the companies listed - - -?---No, we paid the - that was the integrator. We paid the rebate to Daniel Paul and there would have been a separate amount paid to the shopping centre proprietor being Westfield or Stockland.

I see. This all relates to Westfield or Stockland?---Yes, I couldn't tell you which project, sir.

40

And this was just standard practice in accordance with the agreement that you'd entered into with Mr Paul many years ago?---For private projects which I believe he, it's not our, our issue if he didn't disclose that to our customers.

Yes, I understand that. You've now said private projects, did that not also apply to government projects?---No. It was to do, it was to do with those

four major shopping centres and that was it as far as I was concerned, that's what I approved and that's what we paid.

But I thought you said you'd entered into an agreement with Mr Paul many years ago that you would pay him five per cent rebates?---That's correct.

Generally?---No, no, no, on commercial, on the builder's, on the shopping centres, Westfield, GPT, Stockland - - -

10 I see?--- - - - and - - -

Well, why did that agreement not apply to government projects?---Because it was, it was never agreed, it was never discussed. Now, I'd like to just clarify that answer too.

20 Yes?---I was involved in the very early stages of this and that would have been in 2007, maybe 2008 and then the process just flowed through. I had very, I don't believe I saw this invoice, I may have but I certainly didn't approve it, it just came through and went straight to our accounts department and was paid.

So you have really no idea then whether the rebates were paid on government projects or not because - - -?---Like - no.

- - - that was not a matter with which you were concerned?---No, I wasn't concerned, I had, I was concerned setting the deal up and as the business grew and the complexity of my life changed I took the hands off the steering wheel, which I regret.

30 So I take it from that answer that you didn't actually view this particular invoice when it came in?---I may have but I don't recall, sir.

40 Have you at any stage, I don't mean at this time, but at any stage thereafter asked Mr Thompson, Mr Paul Thompson or anyone, if this were for a rebate why does it have a completely different description on the invoice, namely tender review advice?---Well, we used to book, and this is, look, I'm not an accountant so please excuse me if I get my terminology wrong, but the account which this would have been booked to may have had a number like 64001 which was consultancy services and that's just how we, it was just a place where we put the allocation of these funds in our P and L's.

The invoices concealed the truth didn't they?---Well, look, it says the wrong description, yes, and I - - -

To that extent?---Yes, but they were supported by this second document, I fully disclosed that to our, our board and I thought I was doing the right thing, it was a commercial arrangement.

But according to this practice the provision of the invoices in the false terms will allow Mr Paul to conceal from his client the fact that he was receiving the rebate?---Yeah, I can't say no 'cause I agree with that, yeah.

MR STRICKLAND: With your new policy you surely wouldn't condone this practice would you?---No. We will, we will pay rebates to customers in the future, but it will be far - - -

10 THE COMMISSIONER: Where you agree?---When we agree and when we have a, a two way documentation agreement in place which we do have with a few customers now in Australia.

MR STRICKLAND: But you don't condone the practice of an invoice not containing a false description of works done?---No, no. I've said earlier that I, I can't apologise enough for the way our company was shabby in this regard. And we've put steps in place to rectify these matters.

20 And you personally took your eye off the ball did you?---Yes. And I have said that before too. I regret it.

Can I just ask you – just because one invoice 20608, which is on the next page of Exhibit 83?---Yep.

That's for the same – although it's got written provision of consultancy service, it's the same deal is it, that that was for rebates that were calculated on the basis of percentage of sales. Is that correct?---I, I don't see the supporting spreadsheet but I can only say it would be and I can also say I probably told them to put consultancy service on there and not rebates.

30 THE COMMISSIONER: Well, you'd be told by whom?---No, I, I would have told - - -

You would have told?---Paul to - Paul Thompson that is to put that on there, or Daniel Paul I'm not sure.

40 MR STRICKLAND: Sorry for one moment. I just want to show you this document. Excuse me. If you just go to - that purports to be a similar rebate table and if you go to page 29, I beg your pardon, 285 you'll see that it corresponds minus 15 cents the figure of 14,394.85 corresponds in 15 cents of the tax invoice 20608.

THE COMMISSIONER: The 15 per cent you mean.

MR STRICKLAND: 15 cents. 14,394.85 that's the last figure at page 285 but the actual amount is 14,395 on invoice - - -

THE COMMISSIONER: I follow.

MR STRICKLAND: - - - 209608.

THE COMMISSIONER: Yes, thank you.

MR STRICKLAND: Can you see that?---I do.

Is it likely - was it probable that this is the tax rebate calculation for that invoice?---It would be.

10 I tender that and also ask it be attached to - and also if you - sorry, if you look at the date of 1 August 2008. I tender the bundle.

THE COMMISSIONER: Well, a bundle of documents last of which being an email from Paul Thompson to Mr Stokes and Mr Taylor of 1 August 2008, that's going to form part of - - -

MR STRICKLAND: Exhibit 83, please.

20 THE COMMISSIONER: - - - will now be included as part of Exhibit 83. Sorry, the, the other - I forgotten what you said about the, the other schedule. It's part of which exhibit?

MR STRICKLAND: Exhibit 80, the same, the same exhibit.

THE COMMISSIONER: Also, thank you. Mr Strickland, is it a convenient time to adjourn?

30 MR STRICKLAND: Could I just ask one question, that will clarify me over the break if I could?

THE COMMISSIONER: Yes.

MR STRICKLAND: Thank you, Commissioner.

40 Can I just understand this, Mr Stokes, I understand your evidence that this rebate agreement was part of an agreement, a long standing agreement with Mr Paul but is it the case that from Q Video Systems point of view what Mr Paul did to get the rebate from Q Video was to recommend Q Video to the client and thereby benefit Q Video. Is that correct?---Our product would have been specified in the projects and the consultants specifies the products, yes.

THE COMMISSIONER: So, so it's the specification of the product that is the key, the key activity which you're concerned about?---Well, that's how it was measured by, the amount of payment was measured by the success the company gained.

I understand.---Right. The - - -

Measured by the, by the goods supplied - - -?---Amount of product. Yes. But there would have been another layer of assistance that Daniel did for us - Mr Paul did for us over the times. He, he opened up doors, we - I saw on that last schedule Mitsubishi. He pushed Mitsubishi to supply a product through us which he had no opportunity to supply so he actually created business for us at the same time which we were very - - -

10 He networked for you?---Yes. And he was, he was a very influential consultant in those areas and we appreciated his help.

MR STRICKLAND: So the rebate was a reward for that assistance together with him recommending - - -

THE COMMISSIONER: Specifying.

20 MR STRICKLAND: Specifying particular products that you were would be supplying. Is that correct?---That's correct, and it would have been a measurement on the success generated by sales into these four or five shopping centre projects.

Yes, thank you.

THE COMMISSIONER: Yes. The Commission will adjourn for 10 minutes.

SHORT ADJOURNMENT

[11.30am]

30

MR STRICKLAND: Mr Commissioner, I'm told we've only got one copy, you've got a copy of 125, but we don't have another copy for the witness. I'll give you my one and - - -

THE COMMISSIONER: Well you can take, you can use mine for the meantime.

40 MR STRICKLAND: Thank you. We'll get you another copy. So this is tax invoice 89101, 8 September, 2010. And it's described as the provision of consultancy services stage 4 of 7 training for tender submissions Sydney July 2010. Contact Mr Paul Thompson and Rick Stokes. You're familiar with this tax invoice?---Yep, I am familiar with this invoice.

Now this tax invoice to your knowledge was not paid by Q Video?---Was not paid.

And did you speak to either Mr Paul Thompson, did you speak to either Mr Paul Thompson and or Mr Dan Paul about this invoice?---I spoke to Dan

and Dan verified that he did work with Paul over that, over a preceding period for training.

I'm just going to pause you. Doing the best you can, I'm not suggesting you do it word for word, but more or less what did Dan Paul say – I'll withdraw that. What did Dan Paul say when you spoke to him about this tax invoice? ---He said it was part of the training and services I provided to Paul in Sydney.

10 I see?---That was it.

Okay?---I then tried to verify with Paul Thompson.

Yes?---Paul Thompson left the employment of Q Video Systems on, on or about 8 September.

Yes?---So I don't believe I spoke to Paul for probably another eight months.

20 By Paul you mean Paul Thompson?---Paul Thompson, sorry.

That's okay?---So I did not, I could not verify the work was done, so I didn't pay it.

Was there any – and did you, did you advise Dan Paul that you did not – you were not going to pay it?---I don't believe I did. There was, around this period was quite a traumatic period for us. Mr Thompson left our employ with five of our employees and I was busy pulling the knife out of the middle of my back at the time, so - - -

30 Who put the knife there?---Paul Thompson.

Did that have – did Mr Thompson's leaving on or around September 2010 have anything to do with these invoices that I've been showing you?---125?

Well; I'm sorry. Any of the tax - I withdraw the question. Did - what - to your knowledge why did Mr Thompson leave Q Video Systems at this particular time?---He had - I would imagine working, working out a way to leave the company for the last 6 months prior to that and he joined BGWT which was Mr Yallouris, Mr Yallouris's company.

40 Is that Mr - - -?---Mr Yallouris, yeah.

We, we called him Yallouris. I see.---The ex-Pelco representative in Australia.

So after Mr Thompson left Q Video Systems did Q Video Systems get any more work as a result of recommendations and Daniel Paul or specifications

from Mr Paul?---We were in the middle - probably two-thirds of the way through the Garden Island Project.

THE COMMISSIONER: Is that the Perth one or the Sydney one?---The Sydney Garden Island Project. Has horrendous problems on site. There was a lot of promises made by, I can only think Paul Thompson 'cause he was driving the, the process along with Tony Theissen and I really felt sorry for Tony Theissen who was left holding the bag and there virtually every day trying to rectify all the, all the promises that were unachievable and undeliverable by our company.

MR STRICKLAND: Did you have anything to do with - did QVS have anything to do with the Gap Project at this time?---No. We - there was talk of the Gap and we were - we had that on our - it was in management reports for several months before that, that that was a project coming up.

In which you were going to be the supplier of products?---We thought we would be, yeah.

20 And did you get that?---No.

So after Mr Thompson left did you - did QVS have any new projects in which Daniel Paul was a security consultant?---There may have been some very small supplier projects through Westfield or something but there was no major projects.

30 So did Mr Paul - if I go back to Exhibit - excuse me. If I go back to Exhibit 125, did Mr Paul ever chase up that amount of 7562.50 cents?---He may have made one call but and I, I, I would have told him that I haven't been able to verify the work so you know when I do we'll pay it but I, I could be wrong with that statement.

Did, did Mr Paul tell you any more precisely when he had performed this work?---No, just previous to the invoice.

Did he say he performed it in Sydney in July 2010?---Don't recall.

40 Did he say this related to the previous invoices that I'd shown you for the 27,500?---I was of the opinion it was for ongoing assistance to our staff in Sydney.

Did any - did you to your knowledge had any staff received any training from Mr Paul that would correspond with this invoice?---Well, I couldn't verify it so I didn't pay it so, no.

Well, what did you do, what did you do to try and verify it?---I, I tried looking - I, I spoke to our staff in New South Wales, the new manager was Brad Ballesty, spoke to Tony Theissen, didn't spend a lot of time on it

because we were quite busy corporately, we just in a takeover of another company and you know 99 per cent of my time was involved in that process for the three month proceeding September 30.

And you spoke to Brad Ballesty, Mr Theissen and New South Wales staff, did they tell you whether they'd received any training for Mr Paul?---No.

They did not tell you or they - - ?---They, they didn't tell me, they received - they said they had - did not receive any training from Mr Paul.

10

Did they tell you whether they, whether they were aware that - whether Mr Thompson had received training for Mr Paul?---No, they didn't. No, they were in just as much state of flux as the rest of the business with these guys leaving so, we, were in damage control and survival mode so I, I don't recall what was told, forget that time.

Were you aware that Q Video Systems had provided a projector to Mr Paul?---I was.

20

And what, what was your understanding of, of that matter?---I recall an email coming to me from our purchasing guy "Is this okay to order, Rick"?

Say that again, I couldn't hear that?---"Is this okay to order" to, to myself, an email from Stanley EL Komala.

Yes?---I then sent an email to Paul asking, Paul Thompson, what's this all about, can you clarify it for me.

30

Yes?---I received an email back, I recall the words saying "God bless, Stan, I told him to hold off until I saw you about it."

So was it your understanding that Q Video supplied Mr Paul with that projector?---Q Video supplied Mr Paul with that projector, yes, it was picked up from our office some time late September and Tony Theissen put it in Dan Paul's car boot.

40

Thank you. Excuse me. And do you know why Mr Paul, why Q Video Systems provided that Sony projector to Daniel Paul?---I, I don't recall the conversation I had with Paul Thompson. As, as I said earlier we were, we were in a, this was late September or early September and it was just a dramatic time in our lives so I apologise, I don't recall.

Okay. If I can just show you the chain of emails, I'm sorry, I tender a chain of emails ending from Mr Stokes to Leonie White dated 13 March, 2012.

THE COMMISSIONER: Yes. The chain of emails ending with the email from Mr Stokes to Ms White of 13 March, 2012 is Exhibit 129.

#EXHIBIT 129 - STRING OF EMAILS RE PROJECTOR, THE TOP EMAIL BEING AN EMAIL FROM MR EL KOMALA AND TO MR STOKES SENT AT 11:47AM ON 24 AUGUST 2012

MR STRICKLAND: So Mr Stokes, is this the chain of emails you're referring to, you were referring to earlier in your evidence?---I've just got them, hang on.

10

I'm sorry, I thought you had it already?---Yes, it is.

So in the second last email, the email from you to Mr Thompson on 25 August, 2010 you wrote, "Can you let me know about this one," and in your answer you don't have any, do you have any recollection at all as to what Mr Thompson said in relation to providing to Mr Dan Paul a Sony projector?---I vaguely remember a conversation about Garden Island and I, after the fact in presenting documents to the ICAC inquiry found an email that said it was from Paul Thompson and it was related to Garden Island.

20

And I could, I could clarify that just - - -

Yes, please?--- - - - with, at the time there was, as I had mentioned before, horrendous problems on site and Mr Paul did help us enormously with time spent rectifying UPS problems because they were blowing up and, you know, whether it was our fault or not we he did spend a lot of time there, whether he got paid for that work I don't know so - - -

What's UPS systems?---Uninterruptable power supply and they were, we supplied incorrect units and they kept blowing up and it was quite stressful.

30

So if you go to page 2 of that email chain, you knew Mr Lagan is that right? ---I know who Tony, who Tony Lagan, is.

Lagan?---I vaguely knew him, said hello to him probably three times in my life.

So I take it that you knew that he was saying that the normal price for this Sony projector was \$9,000?---That's correct.

40

And you're saying that you knew that QVS had paid for this Sony projector?---We did pay for the projector, 5,000 plus GST.

Okay. I understand but didn't it concern you that QVS – in light of what you described earlier as the excessive amount for the 27, 500, didn't it concern you at that time that Mr Paul was being paid an excessive amount for only some of the services – I'll withdraw that. Didn't it concern you that QVS was paying an excessive amount for services only some of which you believe he'd rendered and was now supplying a projector worth, worth

\$9,000, did that concern you at all?---I mean in hindsight it did. I was, it was reticent of me to let this all happen, but I just, I didn't intervene and it happened. And I deeply regret it.

10 Because, okay. Did it occur to you at the time that these might be bribes to Mr Paul or kickbacks?---No. No, I was of the belief that it would have been payment for services rendered for the assistance on this project. And that could have been on site, after hours, it could have been anything. And as I said I didn't follow it through enough and I regret that I didn't follow it through. I let it happen.

I'll just show you one other aspect of the email chain which is consistent with your evidence. I'll just show you, I tender a further email from Rick Stokes to Leonie White dated 13 March, 2012.

THE COMMISSIONER: This is another chain is it?

20 MR STRICKLAND: That's correct. It's just gone one, one additional email on it. It's got, the additional email is the reply from Paul Thompson to Rick Stokes.

THE COMMISSIONER: Exhibit 130 is a chain of emails the last of which is from Mr Stokes to Ms White of 13 March, 2012.

#EXHIBIT 130 - STRING OF EMAILS RE PROJECTOR, THE TOP EMAIL BEING AN EMAIL FROM MR THOMPSON TO MR STOKES SENT AT 8:09AM ON 25 AUGUST 2010

30 MR STRICKLAND: Could the witness please be shown Exhibit 126. Q Video was known as Baxall Australia. Is that correct?---Yeah, Baxall Australia was the company prior to the acquisition of QR Sciences Holdings on 7 February, 2007. I would think Daniel had just in his computer, we were still known as Baxall Distribution Australia, so it was probably just an error on his part.

40 Okay. Do you now know – I'll withdraw that. At the time did you know about the services that Daniel provided in relation to this tax invoice?--- Yeah, that, I've never seen the report, but I know that there was an associated email with this saying he'd declared to Westfield he was providing the test results for the product evaluation which was done. We wanted to see that to understand where our products sat against all the other manufacturers products in the market. So it was quite important information for us. And I, you know, we just paid it.

Okay. So this was legitimate work that was done?---Yeah, it was, yeah, it was provision of these services. Now whether the value of that invoice – to

us that was like gold. We, we had a consultant in a shootout. It would have cost a lot of money to set up. And to do that would cost \$100,000 perhaps, so - - -

Any event this was, you believed then and you still believe now this was for legitimate services rendered?---Yes.

Thank you. I'll just show you another tax invoice, please. I tender that invoice.

10

THE COMMISSIONER: Exhibit 131 is the tax invoice number 9308.2 dated 9 March 2008 from SCI to Q Video.

#EXHIBIT 131 - INVOICE NUMBER 93082 IN THE AMOUNT OF DATED 9 MARCH 2008

MR STRICKLAND: So, Mr Stokes, do you know what this invoice related to?---I can see what it relates to but I've never - I don't recall ever seeing it and our accounting records have any record of paying it.

20

I see. Do you know if there was any ever request made by Mr Paul to QVS to pay for guests in relation to the ISC conference in Vegas?---No, I don't.

Okay. Would you excuse me, Mr Commissioner, for one moment, please.

THE COMMISSIONER: Yes.

MR STRICKLAND: Yes. They're my questions, thank you.

30

THE COMMISSIONER: Can I have an indication as to who would like to question Mr Stokes?

MR LLOYD: I'll have just a few, Commissioner maybe - - -

THE COMMISSIONER: Yes, Mr Lloyd.

MR LLOYD: - - - 10 minutes or so.

40

THE COMMISSIONER: I think you're the only one.

MR BUCK: My apologies, Commissioner, I'll be about 10 minutes.

THE COMMISSIONER: Yes. Thank you. Mr Lloyd.

MR LLOYD: Mr Stokes, I appear for Dan Paul and will be asking you questions of you on his behalf. I'll work backwards so I'll ask you a

question in relation to your latest evidence through to your evidence yesterday. You were taken to some emails concerning the provision to Dan Paul of a Sony projector?---Yeah.

That Q Video paid for. I want to suggest to you, you had no conversations with Dan Paul about that?---I don't recall talking to Dan Paul so I had no conversation with Dan about that to my knowledge.

10 As I understand it and my instructions are you spoke to Paul Thompson about it?---That's correct.

You were taken to two invoices issued by Dan Paul's company to Q Video which you said had annexed to them schedules for rebates in relation to work provided concerning shopping centres and you said as I understood your evidence you probably told either Paul Thompson or Daniel Paul to put consulting services as the description of the work done?---That's correct.

20 And as I understand you're not sure whether you told Paul Thompson or Dan Paul, you can't say which one you told?---No, I can't. It's a long time ago.

In any event we can agree that the description to be placed on the invoices came from you?---It would have, yes.

And that was for internal accounting purposes I think you said?---Yeah. It, it just made it far easier for our accounts girls to code the invoices.

30 You were taken to conversations you had with Dan Paul and some text messages on 2 September 2009 and I just want to clarify if I understood properly your evidence. The conversations as I understand it you had with Dan that day concerned two issues; firstly the payment of an invoice for 25 plus GST which you'd been told on inquiry of Paul Thompson was probably for training services?---Correct.

And you accepted what he said at face value, that is Paul Thompson?---Yes.

You thought work had been performed but you thought the fee might be excessive?---That's correct.

40 And I want to suggest to you, you didn't raise with Dan Paul the fact that you thought the charge was excessive did you?---I would have raised with Dan that what's this all about, he would have explained it was for training with Thomo and I don't recall raising anything about overpaying Dan.

Thank you.

THE COMMISSIONER: Which invoice is that?

MR LLOYD: That was Exhibit - - -

MR STRICKLAND: I think it's 80, Mr Commissioner, I think.

MR LLOYD: - - - 80.

10 THE COMMISSIONER: 80. Can you just allow me a moment please Mr Lloyd. Mr Stokes, in your compulsory examination you were asked about the email, an email and I don't know which one it is, it's the one at 134. Do we, page 134 it was. Is that one of the new exhibits?

MR LLOYD: No, this exhibit has been here all along in this hearing.

THE COMMISSIONER: Page 134, what exhibit is it?

MR LLOYD: I'm, I have taken Mr Stokes to Exhibit 80, which is an invoice 19 June, '09

20 THE COMMISSIONER: Yes, no that's Exhibit 80. Exhibit 80 is an email.

MR LLOYD: The invoice is attached.

THE COMMISSIONER: Yes. Mr Strickland, can you help me, please. What is the invoice which is referred to at page 1156 of the compulsory examination as 134.

MR STRICKLAND: Excuse me for one moment. 1156 is that correct?

30 THE COMMISSIONER: Yes.

MR STRICKLAND: I just have to, I just have to obtain, my instructing solicitor is not here and I don't have the CE documents right in front of me.

THE COMMISSIONER: Which is the exhibit which contains the invoices, I think these are different ones.

40 MR STRICKLAND: Thank you. I can assist you now Mr Commissioner. Yes, 134 doesn't, is not Exhibit 80. It's another, it appears to be the invoice 756250 which is I think Exhibit from memory 127.

THE COMMISSIONER: Thank you.

MR STRICKLAND: Just bear with me.

THE COMMISSIONER: No, it isn't.

MR STRICKLAND: No, it's not. It's the most, it's the most recent - - -

THE COMMISSIONER: Invoice handed up.

MR STRICKLAND: It's Exhibit 125.

THE COMMISSIONER: Thank you.

THE COMMISSIONER: Could Mr Stokes just be shown, shown Exhibit 125. Do you recall this invoice Mr Stokes? You've been asked about it?
---Yes.

10

At the compulsory examination you were shown that – no I might be misleading you and I might have misled you Mr Strickland. But page 1156 concerns page 134, there is an email from Daniel Paul to Mr Stokes.

MR STRICKLAND: Yes, one, one, that is so and what - - -

THE COMMISSIONER: And what - - -

MR STRICKLAND: That is, I understand that but if you - - -

20

THE COMMISSIONER: What invoice is, all I want to know is what email it is.

MR STRICKLAND: I think I've answered the question correctly, it's an email from Mr Stokes to Leonie White - - -

THE COMMISSIONER: Yes.

30

MR STRICKLAND: - - - which attaches an invoice from Mr Paul to Mr Stokes and I believe the attached email is Exhibit - I withdraw that. I believe the attached invoice is Exhibit 125.

THE COMMISSIONER: I see. All right. Thank you very much. Now, Mr Stokes, you were asked about that invoice and I'm reading at page 1156 and Counsel Assisting put to you, "You've given some evidence already along the lines that Mr Paul sent further invoices after your staff had jumped ship"?---Yes.

40

So you were shown the invoice at 125 and then you were sent more invoices apparently?---No, this, this is the only invoice I was ever sent, I believe the email says there'll be invoices, three more invoices to come.

Yes?---But they were never sent to me.

Right. And, and you said, you were asked, "Did you expect to receive this email from Daniel Paul enclosing invoices?" you said, "No" and then you replied, perhaps Mr Stokes can be given page 1156 so you can follow this. I'm looking at line 11, do you see that, and then you see your evidence,

“What happened was an invoice was sent to our New South Wales office, Brad Ballesty forwarded it to me” et cetera “I was actually looking for email records but I couldn’t find them so it must have been down in the post. I then rang Daniel Paul up and said ‘What’s all this about?’ He said ‘Oh, it’s like we did last time, it’s training in tender services and all that type of thing,’ so I thought, okay, I’ll do some investigation. And then he started, he sent four invoices in and after I dug around, did some investigation, couldn’t verify that the work had been done and what was done so I rang Dan up and said, ‘Look, mate, we’re not, you know, not paying it,’ and it’s never been chased up again”?---Mmm.

So that’s when you start suspecting things and instigated an investigation?
---We did.

And is that evidence that you’ve given there correct?---Yes, that’s correct.

All right. Thank you, that’s all I wanted.

MR LLOYD: And what was in relation to an invoice in 2010?---That’s correct.

I want to take you back to September 2009?---Yes.

And clarify just to make sure I understand your evidence, you’ve said to me that there were, we’d gone to one topic of conversation that day was Dan Paul’s invoice for 25,000 plus GST, it’s Exhibit 80, dated 19 June, ‘09?---I recall, yeah.

And he wanted payment for it?---Yeah.

You raised it in effect with Paul Thompson and Paul Thompson said it was for training and Dan Paul had said the same thing?---Yes.

You took that explanation at face value and you authorised payment?---I told Paul Thompson to send the invoices down approving them for payment and they would be paid.

And I gather it was your suggestion that they be split into smaller amounts?
---I asked what was the training for, just put that on the invoices and it’ll go through.

The other topic - - -

THE COMMISSIONER: I don’t regard that as answer yes. That answer was not yes.

MR LLOYD: I missed the question I asked, I missed the answer.

THE COMMISSIONER: Well, why don't you ask him again, Mr Lloyd.

MR LLOYD: I can't remember what the question was.

THE COMMISSIONER: Well, it was your idea to split the invoices.

MR LLOYD: It was your idea to split the invoices?---That's correct.

10 Thank you. The other topic that he raised with you was rebates for the Art Gallery and you said we are in no way paying rebates?---That's correct.

And the way it was and rebates were never paid?---It was never paid.

I have nothing further, Commissioner.

THE COMMISSIONER: Yes, thank you. There's something else that I've just remembered. I'm sorry, Mr Stokes, that I wanted to ask you about. You had some knowledge of the Art Gallery tender when it was first announced, didn't you?---Yeah. I knew there was a tender, I had zero
20 knowledge of the technical aspects of that 'cause I, I wouldn't be the person to look at it at our company, I don't do the tenders, I'm not technical enough.

Well, I'm - can you - can Mr Stokes be shown page 1113 of his compulsory examination, please.

30 And I just want to confirm with you that this evidence is still correct as far as you're concerned. If you start, if you start looking in line 18, you were asked what Government agencies you think could be involved, do you see that? Line 18?---No, I know line 18.

"All right. Well now I'd like to know which Government agencies you think could be involved." Do you see that?---Yeah, I do.

Okay. Can you read from line 18 to really to the, to the - to 115 the end of this exchange when counsel assisting begins to - well, no it still goes on. To line 12 on page 115. So I'm asking you to read two pages and to tell me if there's anything there that you want to change?---Okay.

40 I think if you go to, if you go to the end of page 115. Sorry, 1115 and then just tell me if there's anything there that you want to change?---Yeah, okay, I've read it, yeah.

I beg your pardon?---I've read that, yeah.

Yes. Is there anything in there you want to change?---No, I don't think there is at all.

All right. You abide by that?---Yeah.

Yes. The pages 1113 to 1115 of Mr Stokes' compulsory examination transcript will be Exhibit 132.

#EXHIBIT 132 - PAGES 1113-1115 OF THE COMPULSORY EXAMINATION OF MR STOKES

10

THE COMMISSIONER: Mr Lloyd, do you want to ask any questions about that?

20

MR LLOYD: Just briefly, Commissioner. Mr Stokes, I just want to take you to page 1114 where as part of a long answer, taking you to about line 28, it's not numbered there but line 30 is. And you say, "No we weren't, we weren't their sole distributor for Pelco at the time. So our preferred product was always Verint because we make more money because once you have a sole distribution you can actually demand a bit higher price"?---Yep. Yeah, I understand.

Now as I understood your evidence yesterday you said you weren't in fact the sole distributor for Verint, but at that time as I understand it, a company called Anixter and Tyco were also distributors for Verint?---Yep. In the compulsory examination I was not aware of Anixter and I knew Tyco was a, Tyco aren't a distributor, Tyco are an integrator.

30

Yes?---I was not aware that Anixter had access to the product and I only found out about that after digging around for evidence in this investigation.

But you're aware of that now?---Yes.

So you're aware now that at the time of this project of the Art Gallery in early 2009 Anixter was a distributor of the Verint product?---Yes.

Thank you.

40

MR BUCK: Turning back to the \$27,500 payment to Dan Paul did Paul, Paul Thompson never said to you that that payment was in relation to the Art Gallery as, as payment for securing supply of Q products to the, to the Art Gallery did he?---No, he didn't.

Yes. Mr Buck.

MR BUCK: Turning back to the \$27,500 payment to Dan Paul did Paul, Paul Thompson never said to you that that payment was in relation to the Art Gallery as, as payment for securing supply of Q products to the, to the Art Gallery did he?---No, he didn't.

What would you have said if he did?---I would have said we're not - bad luck it's not happening, mate.

Is that because you would have viewed that as an inappropriate - - -

THE COMMISSIONER: It's too hypothetical.

MR BUCK: Is it fair to say that the overwhelming reason that you approved payment on that, that, that money to Dan Paul was because Paul
10 Thompson satisfied you that it was a legitimate service provider - - -

THE COMMISSIONER: It's really - he's dealt with all of that.

MR BUCK: I'll move on.

THE COMMISSIONER: His evidence is clear on all of that. And it's so extraordinarily leading that even though the rules don't - evidence don't apply every instinct in my body reject, Mr Buck.

20 MR BUCK: I have to close and in question but I'll, I'll finish this one question.

Did Daniel Paul ever tell you that in relation to any money received from him by Q that he did not declare those payments to his clients?---No.

THE COMMISSIONER: You thought he would did you?---Yes. We've got a - we're talking about a SCEC endorsed consultant and as an industry participant we are compelled to trust the people that are put in charge of projects by Government authorities.
30

Mr Paul wasn't a stranger to you?---No. I'll just reflect on that for one moment. I have probably met Dan 12 times in my life, we weren't intimate friends, we had dinner maybe twice, I'm not a Sydney person, I don't like coming to Sydney, so please understand that in context of this investigation.

No, that's fair enough/

MR BUCK: We'd like to (not transcribable)

40 THE COMMISSIONER: Yes, Mr Buck.

MR BUCK: You mentioned Paul Thompson left Q in September 2010?
---That's correct.

You were upset about that?---I was at the time - yeah, I was, I tried to talk Paul into staying, we had a couple of conversations about it, he said no, I have to leave and in the end we were devastated.

Are there any other reasons you were upset about Paul Thompson's departure and the circumstances surrounding the departure of - - -

THE COMMISSIONER: We're not interested in the - - -

MR BUCK: You knew Paul Thompson and Terry Yallouris had a close relationship, did you not?---Best of mates I was told.

10 Best of mates. And Paul Thompson when he left went to a company that Terry Yallouris was the general manager of BGWT?---That's correct.

And at the, at that time September 2010 Q was a distributor for Pelco?
---That's correct.

Is Q now a distributor of Pelco?---No, we were cut off at the knees some time in early 2011 by - Terry was very influential with Pelco 'cause he used to be the general manager for Pelco in Australia and he obviously put a very influential business case to Pelco and many distributors got cut off.

20 So to your knowledge who's now a distributor for Pelco in Australia?
---Pacific Communications, Annixter and BGWT.

Thank you.

THE COMMISSIONER: Thank you.

MR PATTERSON: Commissioner, Patterson is my name, I seek leave to appear on behalf of Mr Paul Thompson.

30 THE COMMISSIONER: Yes, Mr Patterson.

MR PATTERSON: Just to ask this witness a few questions.

THE COMMISSIONER: Well, in future please - - -

MR PATTERSON: Mr Stokes - - -

40 THE COMMISSIONER: Sorry, in future people seeking to represent persons should tell me before they wish to question the witness because the practice is that the legal representative for the witness goes last. Now because of your late announcement that's not happening, it's just undesirable. But proceed now, Mr Patterson.

MR PATTERSON: Thank you. My apologies, Commissioner.

Mr Stokes, in relation to the invoice for \$25,000 and in relation to the four invoices which subsequently were produced in substitution for that invoice

you, you have given evidence that Mr Thompson told you that the work had been done. Is that, is that fair?---That's, that's correct.

And indeed yesterday in relation to the four invoices you said it was a very short explanation and it would have been along the lines of here's the invoices, here's the work that was done, can we please pay Dan. That's the evidence you gave yesterday?---Yeah.

10 MR STRICKLAND: I object to that. That is not, that is only a small part of the evidence he gave yesterday. He gave much more extensive or much more – he gave more extensive evidence about those particular invoices.

THE COMMISSIONER: Yes. Yes, that objection is upheld.

MR PATTERSON: I want to suggest to you Mr Stokes, that in fact Mr Thompson did not say that all the work had been done?---That's not correct.

20 And I want to suggest to you that he said it was a work in progress?---I don't recall him saying that.

He could have said it?---He could have, but I don't recall that.

Thank you. Thank you, Commissioner.

THE COMMISSIONER: Yes. Does any, any questions arise out of that Mr Strickland?

30 MR STRICKLAND: I just have one question arising out of something that you asked Mr Commissioner. In your compulsory examination you said this at 1113, I might just get you to read that?---What page?

1113, line about 36. Have you got that in front of you?---I will in a minute, hang on.

Yes?---Line?

40 About 36. You say, "I have, I have never seen the bid til I was asked by one of your investigators to review some documents". Have you got it there?
---Yep.

You say, "I think it was Ms Leonie White. I had a little look at it. I still don't know what I was looking at to tell you the truth. But that tender went in", these are the words I want to ask you about, "we believed the price was around 2.7 or 2.8 million for the job. The budget for the job was around 2.1". That was something you knew at the time of the – before the contract was awarded. Is that correct?---I couldn't confirm or deny it. I can't, I don't know the answer to that, sorry.

Do you recall having any discussions with anyone about the budget?
---Yeah. I spoke to our guys in Melbourne, Tony, Tony Colicchia and Michael Siccita who were, you know, quite gutted that Verint had been turfed out. And my understanding after talking to the guys was the architecture of the Verint product was, it was a massive storage array of various servers to store the data. On the Pelco product it was all stored on the hardware so it was a huge cost saving with Pelco.

10 THE COMMISSIONER: Is that when you learnt that the – did they tell you then that the budget for the job was around 2.1?---Yes. But I don't know who told them. I just heard that from Tony and Michael.

MR STRICKLAND: I missed that. I heard that from?---I heard that from Tony and Michael in that Melbourne discussion we had.

That was before the contract was awarded or was it after or you can't say?
---No, I don't know, sir.

20 Okay?---I'd say, I'd say it was when it got turned around. Because it was turned around at the last moment, the whole project and I don't know.

THE COMMISSIONER: Can you just read what you've said?---Yeah.

I mean you've said, "Terry Yallouris came in", this is what I presume you were told this, "Terry Yallouris came in and said Pelco can do this job, do this now and we're doing a special project price for this"?---Yeah, yes.

30 So that, well that suggests to me that the – when this was said, either the contract had not been awarded or the contract had only very recently been awarded?---That's what it reads and that's my understanding.

Yes, thank you.

MR STRICKLAND: And do you know what the source of your information was that Terry Yallouris came in and said that Pelco was going to do this now for a – and was doing it for a special project price? Do you know who the source of that information was?---Paul, Paul Thompson and Tony Theissen.

40 And did they tell you that?---I don't believe they told me directly though. It would have been through our Melbourne guys.

Was that something you were advised before the contract had been awarded?---I couldn't confirm or deny that. I don't know.

Thank you Mr Commissioner. No further questions.

THE COMMISSIONER: Yes, thank you Mr Stokes. You're discharged from the evidence and you're – from the summons and you're free to return to return to Melbourne?---Excellent. Out of Sydney, thank God for that.

MR STRICKLAND: I'm sorry, could I just, there's just one, one matter, I'm sorry, too late.

THE COMMISSIONER: Should have got up quicker, Mr Strickland.

10 MR STRICKLAND: It's not a question for Mr Stokes but I wanted to say this in his presence. I've had - myself and Ms Lonergan have had some helpful discussions with Mr Stokes' lawyers concerning the order that you made, Mr Commissioner, yesterday, that is the section 35 order.

THE COMMISSIONER: Yes.

MR STRICKLAND: I can just tell you that there are some difficulties with that, we're not suggesting there's been non-compliance but there are some difficulties and there's been an undertaking that we will, that if there are any
20 documents that remain to be produced they will be done so. I just wanted to put that on the record.

THE COMMISSIONER: Yes, you, you accept that, Mr Stokes?---My understanding is that they've got to open a calendar and perhaps they don't know how to do that and I can help you if you want.

MR STRICKLAND: That's all, all we want is from Q Video Systems that we can, that the order will be fully complied with.

30 THE COMMISSIONER: Well, do you mind delaying your return to Melbourne until you've finished helping?---That's fine, I can go and see whoever you want me to see, I'll see.

MR STRICKLAND: Thank you very much.

THE COMMISSIONER: Thank you.

THE WITNESS EXCUSED

[12.41pm]

40

MR STRICKLAND: I call Mr Thompson.

THE COMMISSIONER: Mr Patterson.

MR PATTERSON: Thank you, Commissioner. Mr Thompson will make an affirmation and would ask for the section 38 declaration, please.

THE COMMISSIONER: And you've explained that to him? You've explained the section 38 to him?

MR PATTERSON: Yes, I have, I have, Commissioner.

10 THE COMMISSIONER: Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by Mr Thompson and all documents 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 and accordingly there is no need for him to make objection in respect of any particular answer given or document produced.

20 **PURSUANT TO SECTION 38 OF THE INDEPENDENT COMMISSION AGAINST CORRUPTION ACT, I DECLARE THAT ALL ANSWERS GIVEN BY MR THOMPSON AND ALL DOCUMENTS 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 AND ACCORDINGLY THERE IS NO NEED FOR HIM TO MAKE OBJECTION IN RESPECT OF ANY PARTICULAR ANSWER GIVEN OR DOCUMENT PRODUCED.**

THE COMMISSIONER: And you understand that means, Mr Thompson -
--

MR THOMPSON: Yes, I understand.

30 THE COMMISSIONER: The evidence that's given, you give today cannot be used against you in any criminal or civil proceedings but it does not protect you against evidence that's not true.

MR THOMPSON: I understand.

THE COMMISSIONER: You can still be liable for prosecution for that and there are series penalties available. You understand that?

40 MR THOMPSON: I understand.

THE COMMISSIONER: Yes, can you swear him in.

<PAUL JOHN THOMPSON, affirmed

[12.42pm]

THE COMMISSIONER: Mr Strickland.

MR STRICKLAND: Thank you. What's your full name?---Paul John Thompson.

And what's your occupation?---Sales manager.

10

THE COMMISSIONER: I beg your pardon?---Sales manager.

MR STRICKLAND: Where do you work now?---I work for a company called Zone Advanced Protection Systems.

And how long have you worked for them for?---For approximately seven months, since the beginning of the year.

And before then, who did you work for?---I worked for BGW Technologies.

20

And was Mr Yallouris associated with that company?---Yes, he was.

In what way?---He was the general manager of the division that employed me.

And before that did you work for what we're referring to as Q Video Systems?---That's correct.

And how long did you work for them for?---Between six and seven years, I'm not sure of the exact timeframe.

30

And what was your position at that company before you left?---Before I left it was sales and marketing director.

Were you in charge of the New South Wales branch of that company? ---Yes.

How many QVS employees worked at the New South Wales branch in 2009, approximately?---Seven or eight.

40

Did you report to Mr Stokes?---I did.

And did you do so regularly?---Yes.

You referred to him colloquially as boss, is that right?---I did, correct.

Did you, was it your understanding in 2009 that you personally had autonomy to engage the services of consultants or other parties to do work for Q Video?---Yes, within reason.

What do you mean by that?---We were in a continual communication sort of format so whilst yes, I did have authority to engage if the cost was significant I would always just sort of bounce it off the guys in Melbourne.

10 What did you regard as significant?---Certainly 25,000 or 50,000.

And by bounce off does that mean get their approval or just consult with them?---Just consult, yes.

But your understanding was that you had the authority to approve payment for a consultant of say of \$25,000?---Yes.

Now you knew Mr Daniel Paul, is that right?---Correct.

20 And you were close friends with him?---Yes.

When did you first meet Mr Paul? Approximately?---Approximately a decade ago.

And in what capacity?---I believe he was working for a company called ADT at the time.

30 Okay. And were you working for, excuse me. Who were you working for at the time?---I believe I was working for, I believe I was working for a company called ASSI Security Services at the time, an integrator.

So as a good friend of Mr Paul I assume you socialised with him from time to time?---Infrequently, maybe out of work hours only once or twice.

In total?---Half a dozen times at the most but certainly only once or twice that I can remember.

And did you travel overseas together?---No.

40 Did you go to international security conferences at the same time?---At the same time, yes.

And did you mix with him then?---We were at the same functions but we didn't mix socially at those events.

Do you know him to be a gambler?---No.

Did you do business frequently with Mr Paul when you were at Q Video Systems?---Regularly but not frequently.

Did you work with Mr Paul on live projects when he was the consultant?
---Yes.

And which projects were they?---They would be a number of projects for property management companies like GPT and Lend Lease, Defence projects and obviously the Art Gallery of New South Wales.

10 Now Mr Paul invited you to attend the Art Gallery more than once in relation - before the contract was awarded for the Art Gallery security upgrade. Is that correct?---He invited me more than once, correct.

And how many times did you actually attend?---Once.
And how long were you at the Art Gallery for then?---Approximately one hour.

20 And what, what did you do in that one hour?---Both he and Tony Morris escorted me around and just gave me a general overview of what they were trying to do.

And was there any other representative of a wholesaler or distributor there at that time?---No, there was just myself.

What did you understand was the purpose of that visit?---Just to give me a very broad understanding of what they were trying to achieve.

And did anyone else apart from you, you understand that - do you know that other employees at Q Video Systems went to the Art Gallery?---Yes.

30 And who was that?---Tony Theissen.

And what was - and that was at a different - on a different occasion?---Correct.

And how many times did he go there?---I would not be able to recall exactly.

40 And what, what was the purpose of him going there?---I believe that, that would have included technical assessment products and also official site meetings on site to, to gain information about the tender along with others.

And do you understand that Mr Theissen went there for the purposes of looking at camera angles in different rooms to work out the precise solution that Q Video Systems might be able to offer the Art Gallery?---I believe the purpose was to, to actually help the customer and the consultant understand the technology to see what sort of solution they needed to design.

Could the witness please be shown Exhibit 65 tabs 15. I appreciate that this wasn't sent to you. Are you aware that Mr Paul provided to QVS the budget spreadsheet which appears in - on pages 264 and following?---Yes.

And do you know what the circumstances were in which he provided that budget spreadsheet?---I believe we were trying to help him understand if what he wanted to achieve technically was within his client's price range.

10 Am I right in assuming that the provision of a budget for a client is of great assistance to a wholesaler like QVS in determining what price to bid for in a large project like this?---I disagree.

And why do you disagree?---My experience has been that it is an assistance to know approximately how much the customer wishes to spend but it has no bearing on what the final competitive price is.

THE COMMISSIONER: I don't want to be rude, but that sounds like rubbish?---I apologise, sir.

20 No, no, please don't apologise, you're entitled to your view. It sounds like rubbish to me because it at least assists you in knowing how high you can pitch your prices?---I, I would agree that it does- - -

Well- - -?---Sorry.

So it assists you?---I think the term was greatly assists, sir, and I- - -

30 All right. Well, surely it greatly assists you to know what the budget is, especially for not just the total budget, you were given the budget for the individual parts, weren't you?---I don't believe that the individual parts would have been confirmed at that time, I would- - -

Well, don't mind about confirmed, that was what he was thinking, whether confirmed or not, you knew that this was the range in which the individual parts budget was set, didn't you?---I think we would have been trying to- - -

40 Just look at, don't, can you just say yes or no? Just look at page 265, look at the, look at what is set out there. I don't know why you can't answer this directly. You can see the different parts, each one you can see, each item, and then you see the quantity and hours, materials, a whole lot of figures in columns. You, that's given to you?---Yes.

So you knew that for each item it would be in your interests not to pitch it at a price which would result in more being charged for that each particular item?---I disagree, sorry.

Well, why? I- - -?---Again, the- - -

Are you saying to me that knowing that for say the MP lens and you know the amount of dollars, that is the, which is 250 there, which is the second item, knowing that that's, that is the ballpark figure, or that is not just the ballpark figure, that is what the consultant is going, at that point in time thinking of recommending, that that is not of value to you in that you knew that you shouldn't charge more than, than that or, and taking into account a reasonable mark-up for the integrator when supplying to the integrator?
---(No Audible Reply)

10 You, are you really saying that meant nothing to you?---No, not nothing, sir, no I understand.

Well, how much did it mean?---Again- - -

It put a limit on it, didn't it, at least?---It would certainly give you an indication.

It fixed an upper limit?---Yes.

20 And also you would know that when it comes to the bottom limit, you would know how safe it would be to go, to pitch your price at a particular degree from the bottom so as to enable the integrator to charge for that item and still come within budget?---Yes.

So you were given by this exercise an upper limit and a bottom limit?
---Yes.

All right. And that was confidential, wasn't it?---I don't believe so, no.

30 Oh, the world knew it?---No, not the world, no.

Who knew it?---I believe we as a supplier of equipment and at the time I assumed that possibly others did. I did not know- - -

Why did you think only possibly others did?---I did not know if we were the only person that the consultant was talking to in regards to this budget.

But if it were then it was highly confidential?---If it were, yes.

40 Did you ask?---I believe, and I apologise just for believing, I believe we signed a non-disclosure agreement.

You'll forgive me if I say I don't attach much weight much to that in line of what I've heard. That wasn't my question. Did you ask?---I don't believe it was confidential, no.

No, no, did you ask where other suppliers were involved?---I don't recall.

You didn't care?---I would have assumed that others were, but I don't recall asking.

Do you think that the Art Gallery would have been happy had it known that you as their supplier were in possession of not just the total budget price but the budget price for individual items? Do you think the Art Gallery would have been happy with that?---At the time I would have thought that that was acceptable, yes.

10 Do you agree with Mr Stokes' description of the security industry? You were in the hearing room when he - - -?---I was.

Do you agree with that?---I don't disagree, yes.

Yes, Mr Strickland.

MR STRICKLAND: So bearing in mind the answers you have given about the significance of the upper limit and the lower limit of those prices, do you wish to revise your evidence that this was not of assistance to you?---Yes, I agree that it was of some significance.

Right. So why did you give the opposite answer 10 minutes ago?---I don't believe this, I don't believe, I genuinely do not believe that this gave us any benefit in the total project and our ability to win it.

Could the witness please be shown Exhibit 1, tab 46. Just, have you still got the previous exhibit there by the way?---No, I have not.

30 Sorry, if that could just stay with you?---Thank you.

Now that budget, that was based on – was that a budget based on the Verint solution or Verint products?---Sorry, tab 15?

That's right?---Yes, I believe so.

Well can you look at it and confirm whether that is so?---Yes, that is so.

40 Okay. Now if you then go to Exhibit 2, tab 46, I'm sorry, Exhibit 1, tab 46, I beg your pardon. I want to start you with this email chain that begins at 536.

THE COMMISSIONER: Are you going to be long on this Mr Strickland, otherwise we might as well adjourn. Whatever you prefer.

MR STRICKLAND: Just two minutes, I think?---Yes.

You can see Mr Diekman writes to Mr Yallouris and copied to you, "how you going with the Pelco options pricing?" Do you see that?---Yes.

And then you reply over at 535, "Hey Charlie, I've been nagging the big Greek fellow and he's promised me something tonight. I'll keep on his back." Do you see that?---Yes.

The big Greek fellow, that's Mr Yallouris?---Indeed.

10 And was it your understanding that at the same time, excuse me, at the same time that QVS was doing work on a budget for a Verint system you were also going to be exploring a Pelco system. Is that correct?---Correct, yes.

And who had asked you to do that?---I believe Kings Security.

And anyone else?---I'm unsure.

What about Mr Paul?---I'm unsure.

20 Well do you recall having any discussions with Mr Paul before the contract was awarded about the fact that he wanted QVS to quote for a Pelco system?---I don't recall any conversations with Daniel, no.

About that matter?---No.

Thank you.

THE COMMISSIONER: Adjourned till 2.00pm.

30 **LUNCHEON ADJOURNMENT**

[1.00pm]