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INDEPENDENT COMMISSION AGAINST CORRUPTION

THE HONOURABLE DAVID IPP AO QC

PUBLIC HEARING

OPERATION SIREN

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TRANSCRIPT OF PROCEEDINGS

AT SYDNEY

ON WEDNESDAY 15 SEPTEMBER 2010

AT 2.05PM

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

THE COMMISSIONER: Mr Payne.

<VINCENT MOLLUSO, on former oath

[2.06pm]

MR PAYNE: Mr Molluso, I'm going to read something to you and I'd like you to tell me whether you agree or disagree with what I'm suggesting. Do you understand?---Yes, I understand.

10

I suggest that during your time at Planet Plumbing you and Mr Funovski on regular occasions, if Planet Plumbing had to do a connection on a building and there was already an existing one in place that they could utilise that connection rather than going through the whole process of a cut in, they would just connect straight to it. Mr Funovski would go out on site at your request and assess the job and if he could visually see a possibility to do that, he would recommend it. This would save Planet Plumbing time and money because otherwise they would have to wait two to three weeks for that connection, therefore Sydney Water would not have to go there and do it, therefore they would not have to pay Sydney Water but they would still invoice their client for an estimated figure. Do you agree or disagree with the statement I've just made to you?---Yes, I believe that's possible. It could be done, yes.

20

So on a number of occasions you made that arrangement did you with Mr Funovski?---No, I don't recall making the arrangement. But it is possible that that's what could've happened.

30

It's possible you could've made such an arrangement is it?---Yeah, it's possible, yeah, yeah.

And did you make any arrangement about paying Mr Funovski for providing those services or any other services to Planet Plumbing?---No.

Did you ask Mr Alafaci for money to pay Mr Funovski to shut down water supplies on an unauthorised basis for the benefit of Planet Plumbing?---No.

40

Did you on a number of occasions up to five, obtain money from Mr Alafaci telling him that it was to pay Mr Funovski for services he was to perform off the books as it were for Planet Plumbing?---No.

Can the witness be shown P95? Mr Molluso, your mobile telephone number during this period in 2008 was 0-4-0-0-1-1-1-4-4-4. Correct?---Yes, that correct.

And Mr Funovski's mobile phone number to your knowledge was 0-4-1-7-2-3-8-6-6-2?---I'd say so. That's what it says here.

And so far as you're aware Mr Funovski at relevant times had your mobile telephone number?---Oh, as far as I'm aware, yeah.

And that would often be how you would speak to one another on the mobile phone. Correct?---Yes. On the telephone.

So when you were at Planet Plumbing you'd speak on the mobile telephone and after you left Planet Plumbing you'd speak on the mobile telephone?
---Yes.

10

There is no occasion that you recall I take it, where Mr Funovski had to ask you for your mobile telephone number in 2008?---Oh, I don't recall. No. I mean once I'd left Planet I, my phone number sort of went out to everyone that I'd left from, so - - -

Yes. And you, but you kept the same mobile phone after you left I take it?
---Sorry?

20

You kept the same mobile phone after you left I take it?---I don't recall, I think I had to hand that back in but I'm not 100% sure.

Well, in any event you left on 17 October, 2008. Correct?---I don't know of the date but yeah, it was some time in October.

And what I've just shown you in P95 is a record of calls between you and Mr Funovski in November 2008. So we agree do we that you've left Planet Plumbing by this time?---Yes, I do.

30

I want to ask you in particular about a number of calls starting if you look down the column 1, 2, 4 from the right you'll see Wednesday, 19 November, 2008. Do you see that? You picked that one up?---When you say the 19th, yep.

A call for nine minutes and nine seconds?---Yeah.

You've heard evidence from Mr Alafaci, you've been in the room I think we established when Mr Alafaci was giving his evidence?---Yes, I have, yeah.

40

You remember that he said that on or about that occasion he was contacted by Mr Funovski who demanded money for him which he said was owing because of an arrangement he'd made with you. You remember that evidence?---I do remember that evidence, yeah.

Do you tell the Commissioner that during this telephone conversation for nine minutes on 19 November, 2008 the subject of any money owing to Mr Funovski was or was not raised?---Was not raised.

You never heard it at or around that time from Mr Funovski that he was expecting to be paid by Planet Plumbing?---No.

Have a look, drop down the page, Monday, 24 November, 2008 you have a six minute conversation with Mr Funovski. Do you agree?---Yeah, yep.

I suggest to you on that day there was a telephone conversation with, between Mr Alafaci and Mr Funovski where the payment of \$3,000 was agreed, were you told about that during the telephone conversation?---No.

10

Had you heard about that prior to receiving your summons to come to the ICAC?---Had I heard about what, sorry?

A conversation on Monday, 24 November where it was agreed between Mr Alafaci and Mr Funovski that \$3,000 would change hands?---No.

The next day you called again. I'm sorry, the next day there is a conversation between you, that's 25 November, 2008, six minutes and 34 seconds. You see that?---Yeah, yeah, yep.

20

You've heard evidence today and during the week from Mr Alafaci and this morning from Mr Funovski that an amount of \$3,000 was paid by Mr Alafaci to Mr Funovski either on or about that day. Do you remember hearing that evidence?---I remember hearing the evidence, yes.

Was there any discussion between you and Mr Funovski about anything to do with payments by Planet Plumbing to him during that conversation? ---No.

30 You'll agree with me that the conversations that I've taken you to nine minutes and two of six minutes are more than just casual conversations? ---No.

Well, can you tell the Commission what it is that you were talking about in this time in November 2008 with Mr Funovski?---I, I can't recall it.

And do you say that despite the evidence you've heard today about when cash changed hands that there was no discussion of which you were aware or made aware at or about that time between you and Mr Funovski?---No.

40

Excuse me one moment. I have nothing further for this witness.

THE COMMISSIONER: Yes. Ms White?

MS WHITE: No, no questions.

THE COMMISSIONER: Mr Stojanovski?

MR STOJANOVSKI: Thank you, Commissioner. Mr Molluso, can I point you to the exhibit P103?---Yes.

Can you turn to page 77PT and the last paragraph there. And you were asked the question, Why did you leave Planet Plumbing? And you answered, financial reasons, pretty much and disagreements on how to sort of run the place. And over the page, the top line. What were the financial reasons? I felt that I didn't get enough money to stay there. So you're suggesting that the only reason why you were, you left or were terminated were financial reasons, because you weren't being paid enough?---No. Like I said there, that we didn't agree on how to run the place as well. And I'd asked for more money, yes.

Okay. Is there, do you recall when you were terminated on or about mid October when Mr Alafaci rang you from China discussing an issue about you using Planet Plumbing equipment, employees and materials to do work on private jobs for yourself?---No.

You say that that never happened?---That didn't happen, no.

So you've never used that equipment Planet Plumbing resources for your own benefit personally?---No, I didn't.

THE COMMISSIONER: And do you say that Mr Alafaci never phoned you from China?---No, Mr Alafaci did phone me from China.

MR STOJANOVSKI: Well, I put it to you that one of the reasons why you were terminated on that day was because Mr Alafaci found out that you were actually doing private work for yourself using Planet Plumbing resources?---No.

So you would say that at the time that you were terminated there was some bad blood between yourself and Mr Alafaci. Is that - - -?---Yes, that's correct. Yeah.

And you, from there continued your relationship with Mr Funovski?---Yes.

After you left?---Yes.

You remain friends to this day?---Yeah, like we have with, yeah.

Yes. Mr Funovski, you say, has helped you whilst you were at Planet Plumbing on answering some technical queries?---Yes.

And he continues to do that today?---Oh, if I had some, yeah, I'd ask him, yeah.

Do you recall a meeting between yourself and Mr Alafaci at Star City Casino shortly after you left?---Yes.

Do you recall Mr Alafaci discussing with you the fact that Mr Funovski had approached him and demanded money from him?---No. No.

You don't recall that conversation?---No, it never happened. The conversation never happened.

10 He never raised - - -?---No, he didn't.

- - - the issue of Mr Funovski asking money from him with you on that occasion?---No.

Can I point you to 92PT?---Yes.

20 And in relation to, can I point you to paragraph 10 or thereabouts. There was a question posed to you, So he would speed the job up and to put it all into context it's in relation to a discussion, what Mr Funovski could assist you with and your answer was, Okay, well no there was, I don't see how he could speed a project up. And then, Well, he could not hold it up. I suppose, so, if that's, yeah. I mean if he delayed certifying Sydney Water delays everything. It's a long process. A long drawn out process getting it certified anyway. So when you're dealing with your clients you always add on extra time and tell them it's going to take a long time. It's the way Sydney Water is, you know, anything is, it takes time with them. So your answer was that it does take time to get things through Sydney Water. And having a relationship with someone like Mr Funovski certainly can speed up that process. Is that - - -?---I think I answered that before. Yeah.

30 THE COMMISSIONER: Yes.

MR STOJANOVSKI: And so whilst you were at Planet Plumbing, you used Mr Funovski to, to speed things up through the process of going through Sydney Water?---I don't understand, what are you - - -

40 Did you make a request whilst you were at Planet Plumbing - - -?---I thought we'd gone through this before but, you know, that we've said that I may have spoken to him about the projects and that it may have sped it up, it may, you know, being able to answer the phone was that, we've been over this before, yeah.

So you agree with me that he could speed - - -?---He could've, yeah, once we cleared everything up, yeah, he could've.

THE COMMISSIONER: Mr Stojanovski, this has been dealt with before. I really don't think we need to traverse the same ground again.

MR STOJANOVSKI: Just specifically can I refer to certifying the works?
---Yeah, but this may have been dealing with, they may have asked me a
general question here about major works jobs and that's when they'd certify
them. This might not have been about the projects 'cause at that stage I
don't think they had mentioned the projects or anything like that.

10 So if Planet Plumbing were to put in a T intersection or a water main it
would then need certification to go through and be approved by Sydney
Water?---No, Technical Services would tell you that you can have a T on
for that property and what size, you'd pay the application fee and you either
get, my experience is that under pressure drilling is the best thing to do and
more than likely you get under pressure drilling to do it rather than Sydney
Water.

And then before you could actually backfill the hole you need the
certification from a Sydney Water inspector?---No. In which way?

20 Once the work was done?---So which, the under pressure drilling or the T
cutting?

Either way?---Under pressure drilling, no, a T cutting Sydney Water would
cut it in themselves and that would be there.

Okay. And so if it was under pressure drilling and there was a need for
Sydney Water to then certify the works were done correctly was there, could
there be a process to hold up?---I don't believe they do.

They don't?---I don't believe they do, no.

30 Nothing further.

THE COMMISSIONER: Yes, Mr Stojanovski. Mr Purdy?

MR PURDY: Thank you, Commissioner. Mr Molluso, you recall when Mr
Payne was asking you questions he suggested to you that on 10 August, I'm
sorry. On 10 August this year when Mr Alafaci had phoned you and told
you about the raid on his premises and the Federal Police and so on that you
had got straight on the phone to Mr Funovski. Is that your recollection that
you got straight on the phone to Mr Funovski at that time?

40 ---It would be about an hour later at least.

Can I show you a document.

THE COMMISSIONER: Are these documents that have been shown to
counsel assisting, Mr Purdy?

MR PURDY: Not yet.

THE COMMISSIONER: The practice of this Commission is for all documents to be put through counsel assisting, it's not a trial it's an investigation, that is the uniform practice of this Commission and it's the uniform practice of any Royal Commission that I have appeared at at the Bar. Now, that's inappropriate.

MR PURDY: I'm sorry, Commissioner. Can I briefly show Mr Payne the document?

10 THE COMMISSIONER: Yes.

MR PURDY: With Mr Payne's permission I'll show the witness the document.

THE COMMISSIONER: Yes.

MR PURDY: Can you tell the Commission what that document is?---It's my short page off my phone so when people leave a message I ring them back straightaway from that.

20

That's a photocopy of a photograph that you took on your, the screen of your mobile phone?---Yes.

And did you take that on or about 10 August?---What's that, what's that, the photo?

The photo off the phone?---I'm not too sure of the date, sorry.

But shortly after these messages?---Yeah, yes, yeah, just to keep a record.

30

Now, if you look at the entry in about the middle of the page just above the middle, the one that says, PLS or P-L-S phone Anthony Alafaci urgently? ---Yes.

And the time above that?---Yeah, 10.48.

Its 10.48am?---Yes.

And if the witness could just be shown Exhibit P91?---Thank you.

40

And if you could look at the information in the box towards the top of the page there's an entry call date/time?---Yes, yeah.

And does that say 10 August, 2010, 11.38?---Yes, correct.

So you'd agree that it was, it was less than an hour later after you received that message that you called?---Yes.

But your recollection is that, that you didn't call him immediately?---No, I didn't.

What did you do after you spoke to Mr Alafaci on the phone?---I actually said to my wife, because she was, she was working with us at the time, that there was very a strange, this phone call, that Anthony had called me, that he was trying to, you know, get me involved in something.

10 And now if you could at the entry below the "please phone Anthony Alafaci urgently" entry?---Yes, the Chris - - -

Chris Bentley?---Yeah, yeah.

Can you tell the Commission who Chris Bentley is?---Chris is the ICAC investigator, the officer that served me.

And at the, and the final entry on the page - - -?---Is when he came to serve me, he was at the front door.

20 And what did you do when you received that message at the bottom of the page?---Opened the door.

And what - - -?---And let him in and obviously, yeah, he served me, sorry.

Commissioner, would be appropriate to tender this document?

THE COMMISSIONER: If you want to, Mr Purdy.

30 MR PURDY: Thank you, Commissioner, I tender that.

THE COMMISSIONER: Yes. Photograph of various entries in Mr Molluso's mobile telephone dealing with 10 August, 2010 is Exhibit P104.

#EXHIBIT P104 - PHOTOGRAPH OF VARIOUS ENTRIES IN MR MALUSSO'S PHONE

40 THE COMMISSIONER: Yes, Mr Purdy.

MR PURDY: Mr Molluso, you recall an exchange between the Commissioner and yourself before lunch concerning whether Mr Funovski was in a position to, to speed things up for, for your or for Planet Plumbing in his capacity as a Sydney Water employee?---Yes, yeah.

And you, do you recall that initially that you hadn't agreed to that proposition?---Yeah.

And that after further questioning from the Commissioner you did agree that yes, he was able to speed things up?---Yes, yeah.

Can you explain to the Commission why it is that you gave what appear, what may appear to be two different answers to that, that question?---Well, the way the question was put to me, I interpreted it different than the way it came out.

- 10 The first, on the first occasion when you suggested he wasn't able to speed things up how, what did you understand that question to mean?---Sorry, can you say that again?---On the first occasion on which the Commissioner asked whether he was in a, he was able to speed things up what did you understand him to be talking about?---To speed up the other, the whole job, the whole, whole process.

Do you mean by that the, the actual substantive stages of the construction process?---Of the, yes, yeah.

- 20 And on the second occasion when you agreed that it would speed things, that he could speed things up, how did you understand - - -?---Because he could answer the telephone a lot quicker and you could, you know, get to talk to someone quicker and start the process, yes.

So you, it was simply a case of a misunderstanding between yourself and the Commissioner on that aspect?---Yes, yes.

Yes, thank you. I have no further questions, Commissioner.

- 30 THE COMMISSIONER: Yes. You may be excused, Mr Molluso.

THE WITNESS EXCUSED

[2.29pm]

MR PAYNE: Commissioner, I call Sabino Nobrega. And there is a Portuguese interpreter, I understand with him.

- 40 MR STEVENSON: Mr Stevenson to appear for Mr Nobrega.

THE COMMISSIONER: Yes. Is Mr Nobrega here?

MR PAYNE: I was told he was.

THE COMMISSIONER: Yes, Mr Nobrega, if you could be seated, please. And could you please the interpreter in.

<ALVARES PERES DA COSTA, sworn

[2.31pm]

THE COMMISSIONER: Thank you. Please be seated. Mr Stevenson, do we need a Section 38 order?

MR STEVENSON: No, Commissioner.

10 THE COMMISSIONER: Does Mr Nobrega wish to give his evidence under oath or does he wish to affirm the truth of his evidence?

THE INTERPRETER: On the bible, on the - - -

THE COMMISSIONER: Yes. Would you swear Mr Nobrega in.

THE COMMISSIONER: Yes, thank you. Be seated please. Mr Payne.

MR PAYNE: Mr Nobrega, is your full name Sabino, S-A-B-I-N-O
Nobrega, N-O-B-R-E-G-A?---Yes, Sabino Nobrega.

10 And you have made a statement in this matter, I think signed a little earlier
today?---I did. I signed one, yes.

Can I show you this document, please? And just please turn to, to the last
page. You have signed the statement?---I did.

And the contents of the statement have been translated to you into
Portuguese so you understand it?---Yes.

20 And do you tell the Commission that the contents of this statement are true
and correct to the best of your knowledge and belief?---Yes, according to
my best knowledge.

Commissioner, I tender the statement.

THE COMMISSIONER: Yes. The statement of Mr Nobrega will be
Exhibit P105.

#EXHIBIT P105 - STATEMENT OF MR NOBREGA

30

MR PAYNE: Mr Nobrega, I'm going to ask you some questions. If at any
time you don't understand the question please let me know?---Okay.

You've worked with Mr Trent Desfontaines for about three and a half
years?---*That's correct.*

And during that time you have both been production employees in the
maintenance department of Sydney Water?---*Yes.*

40 You yourself have been at Sydney Water for 38 years?---*38.*

And you've been a production employee right through that period have
you?---Yes, production.

You say in paragraph 7 of the statement if you want to look at that that you
remember a job from the old Matraville depot that you did with Trent
Desfontaines?

THE INTERPRETER: Mr Commissioner, sorry, he is not looking, should I direct the witness?

THE COMMISSIONER: Yes.

THE INTERPRETER: Thank you. Sorry, you will have to repeat the question because - - -

10 MR PAYNE: I'm just going to ask you some questions, I was just directing your attention to that paragraph to start with to look at?---Yeah.

And I was going to ask you some questions about it. Now, the occasion that you were talking about there, the job you did with Mr Desfontaines do you remember who gave you and Mr Desfontaines the job to do?---The one who gave me the, I did not see, I think it might be Robert Funovski. Can't be sure.

20 I see. You have a clear recollection do you of picking up some materials in the yard there at Matraville to do the job?---Yes. *The gloves, the key.*

Have you ever been involved on the purchasing side of Sydney Water, do you know how much those materials were likely to cost?---No.

The site that you went to was on the corner of Day Avenue and Anzac Parade in Kensington?---Correct.

30 And that's as you understood it the New College site at the University of New South Wales?---The University is on one side and the work was on the right-hand side.

I see?---New building.

THE COMMISSIONER: New building.

MR PAYNE: Thank you. When you arrived at the site you saw plumbers and you have a recollection that after you arrived Mr Robert Funovski also arrived at the site. Is that correct?---

40 THE INTERPRETER: Sorry, what is the surname?

MR PAYNE: Funovski?---Yes, he did.

Can you explain to the Commissioner what work you saw Mr Funovski do, if any, at the site that day?---*(not transcribable) Funovski have a plan, plan for shut the water main down, he say for give (not transcribable) to for shut the main because we put (not transcribable) have a look the water shut properly for the job, see?*

THE COMMISSIONER: Thank you. Would that be clear on the transcript? Is that clear on the transcript? No. I think it would be helpful if you would give your answer in Portuguese so that the interpreter can express it?---*All right.*

It's because, because it's difficult for the person transcribing it to, to hear accurately what you're saying?---Your Honour, please tell the Judge that the person who closed off the main, it was Robert Funovski and Trent.

10 MR PAYNE: I see. And then you checked that the water main was drained of water. That was your job?---Yes.

And Trent Desfontaines got down into the trench which had been dug and cut the hole for the connection did he?

THE INTERPRETER: Sorry, what was the second part of the question?

MR PAYNE: He cut the hole in the water main for the connection?---He cut the main - - -

20

THE INTERPRETER: Mr Commissioner, I must say he's using an English expression which I'm just repeating it.

THE COMMISSIONER: Yes?---We remove all the water from the pipe. There was no danger. *No danger. Everything in, cut the main, then cut the main. And Trent, Trent cut the pipe.*

30 So there was no, you're saying that the, the, after some of the work had been done you could see that there was no danger and Trent cut the pipe. Is that correct?---Yes.

MR PAYNE: And it was Mr Funovski you heard tell Trent where to cut the main for the T?---(NO AUDIBLE REPLY)

THE COMMISSIONER: The answer is that's right. Yes.

40 MR PAYNE: You don't remember who did it but somebody once the job was completed turned the water main back on?---Yes, of course. The mains are opened slowly to take the air off and when there is no air inside it is opened fully.

And you did not do any of the paperwork for this job did you?---No. Nothing.

And is it usual on jobs that you would do with Mr Desfontaines that he would be the person who would complete the necessary paperwork for Sydney Water?---It was the team leader.

Mr Desfontaines is the - - -?---*That's right.* Desfontaines, yeah.

Of the two man team he was the team leader?---*That's right.*

I see. And that was the case for the whole three and a half years that you have worked together is it?---Yes, of course. *Because formerly there were no computers. It was paper.

10 And Mr Desfontaines finds it easier to write in English then you do. Is that what you're saying?---Of course.

Did you have any discussion with Mr Desfontaines after the job was completed about anything he thought was strange about the job?---
Nothing. Nothing. No see nothing. He didn't see anything. *Not talk about it.* Don't talk about anything.

Excuse me one moment, Commissioner. I have no further questions for Mr Nobrega.

20 THE COMMISSIONER: Ms White?

MR PURDY: No questions, Commissioner.

THE COMMISSIONER: I will come to you Mr Purdy. Ms White?

MS WHITE: Only a couple. Mr Nobrega, my name is Ms White and I'm the barrister for Mr Funovski, Mr Funovski?---*Ah, yeah, that's right.*

30 So am I correct in that you're not sure what day this was that we're talking about?---*No, not remember.* I don't remember. *No remember.* I can't remember.

So would you say you have a clear memory of the events on this day all together?---We put the bars inside the valve, everything. *The rest nothing special. No say nothing, no say nothing more.*

THE INTERPRETER: That was all in non-Portuguese, Mr Commissioner.

40 THE COMMISSIONER: Thank you. Just, I didn't hear what he, I don't think everybody heard what he said. Perhaps you could just repeat that?---
We put the fire service inside the trench. We put two gables, we tie to the pipe. And then everything all right. We check whether the water would drain out. When, when we, there was no water draining we open the valves steady, steady.

THE INTERPRETER: Is what I understand Mr Commissioner.

THE COMMISSIONER: Yes. I think you got your answer Ms White.

MS WHITE: Thank you, Commissioner. And Mr Nobrega, if I was to say to you that when you arrived the main was already shut down - - -?---*No, no.*

- - - would you agree with that?---No. There is, there is exact time to close the main, the first time.

May I suggest to you that Mr Funovski had nothing to do with this matter?

10 THE COMMISSIONER: That he wasn't there, are you saying he wasn't there?

MS WHITE: On this particular day whatever day that was.

THE COMMISSIONER: So is it being put that Mr Funovski wasn't there? ---Mr Funovski was there when we closed the main.

MS WHITE: And if you were doing work as a maintenance man why would you not be in the trench doing the work as well?---Because it is team
20 leader's responsibility.

Are you on any medication, Mr Nobrega?

THE INTERPRETER: Sorry, was the, was the tense are you or were you?

MS WHITE: Are you.

THE INTERPRETER: I didn't hear properly.

30 MS WHITE: Are you?---When I have headaches.

No medication for something like dementia or - - -?---I have been ill. I take medication. Every month I take an injection.

Thank you, nothing further.

THE COMMISSIONER: Mr Purdy?

MR PURDY: No questions, Commissioner.

40

THE COMMISSIONER: Mr - - -

MR STEVENSON: No, questions, Commissioner.

THE COMMISSIONER: You have no questions. Yes. Thank you, Mr Nobrega, you may be excused.

THE WITNESS EXCUSED

[2.52pm]

MR PAYNE: Commissioner I call Mr Romeo.

THE COMMISSIONER: Do you need a short adjournment?

MR PAYNE: I don't believe so if that's Mr Romeo in the back of the court.

10 MR STEVENSON: : I seek leave to appear for Mr Romeo.

THE COMMISSIONER: I beg your pardon?

MR STEVENSON: I seek leave to appear for Mr Romeo, Commissioner.

THE COMMISSIONER: Yes.

MR STEVENSON: And he does not need a section 38 order.

20 THE COMMISSIONER: Mr Romeo is it?

MR ROMEO: Yes.

THE COMMISSIONER: Mr Romeo, do you wish to give your evidence under oath or do you wish to affirm the truth of your evidence?

MR ROMEO: Under oath.

30 THE COMMISSIONER: Would you swear Mr Romeo in, please.

<ERNESTO ROMEO, sworn

[2.52pm]

MR PAYNE: Mr Romeo; what's your full name?---My full name is Ernesto Romeo.

And you're an employee of the Sydney Water Corporation?---Yes.

10 You're a team manager who until recently was based at the Daceyville depot?---Correct.

Although you've recently been rotated to the Miranda depot as I understand it?---Correct.

You've made a statement in this matter?---Yes.

Can I show you this document. Is that the statement that you've made in this matter?---Yes.

20 You've had an opportunity recently to consider its contents?---Yes.

And do you tell the Commissioner that the contents of that statement are true and correct to the best of your knowledge and belief?---Yes.

Commissioner, I tender that statement.

THE COMMISSIONER: The statement of Mr Romeo is P106.

30 **#EXHIBIT P106 - STATEMENT OF MR ROMEO**

MR PAYNE: Can I ask you about the process within the Matraville depot in 2008/2009?---Which process?

Well, I want to ask you about job cards in particular?---In 2008 we used to use job cards but towards the end of 2008 we changed over to what they call FRM, which is the computerised laptop.

40 I'll come to that in a moment but I want to ask you about the old system, the pre computer system?---Right.

How would it be, well, first of all, how many people were there working in the Matraville depot?---Approximately 45 employees.

And you'd started there in about August 2004?---That's correct.

And you've been in a supervisory position from that time?---A manager, that's right.

A management position. How would it be that if a water connection were required in the eastern suburbs it would come to your attention in 2008?

---Not to my attention.

10 How would it, I'm sorry, how would it, how would it come to the attention of the Matraville depot that there was a water connection required in the eastern suburbs in 2008?---The way it normally works is an e-Developer process, there's two types, it depends which one, there's an e-Developer and also there's another system which goes through what they call Quick Check which is like a plumbing - - -

I'll ask you about both. Let's do e-Developer first of all, how would it come to your notice, how would it come to the notice of the Matraville depot?

20 ---Well, normally the actual e-Developer (not transcribable) coordinator for the depot, we usually have two or three depending on what kind of work it is, they'll receive a file from the e-Developer section of Sydney Water about a future development and then they receive the file and that person deals directly with the plumber, developer in organising what they call commencement notices through a water service coordinator.

And one of the e-Developers in the Matraville depot during 2008 was Mr Robert Funovski?---He would have been one of them, that's right.

And were you involved in allocating the work or did the e-Developer system nominate which person was to receive the job?---The person would receive it directly.

30 From - - -?---Not through me, through the e-Development process.

So the computer would select them would it?---Yeah, they would get a work order number automatically created and they would receive an email or the paperwork and they will follow the actual process.

And that, that work order number was that sometimes referred to as a job number or is that a different thing?---It's the same thing, job number or work order number.

40 And that work order number would come automatically with the papers in the e-Developer system and that, that number should travel with the relevant paperwork at all stages then of that job, is that right?---That's correct, yeah.

Can you tell be about the Quick Check system seeing as we've raised that?

---Yeah, the Quick Check system is another, where any company might want to do a connection for a water, like a fire service.

Yes and how would they go about arranging that and how would it come to the attention of the Matraville depot?---Well, it'll go through what they call Reece Plumbing, they've got a computerised system which is attached to Sydney Water and what they'll do, they'll apply for the actual connection to be done and then the e-Developer officer gets a contact to provide a, and we'll provide them with quotations to do the work and then the e-Developer will discuss and talks to the plumber directly to organise the shutdown and whatever's involved in actually doing the connection.

- 10 So as you understand the position, Reece is a commercial enterprise that provides plumbing supplies and they have a, an agency arrangement with Sydney Water in relation to some types of water connection?---That's correct.

So that the developer or plumber goes to Reece, says they want a connection of a particular kind and a particular place, they get a quote from the e-Developer in the relevant area?---That's correct.

- 20 And money is then paid through Reece and deposited into Sydney Water's accounts?---That's correct.

Is a job number or a work order number issued with that request as well?
---Yes, I think it is, I'm not 100 per cent sure but I think that's how it works, yeah.

And again that job number or work order number should travel with all the relevant paperwork in relation to - - -?---That's right.

- 30 - - - that job. What would happen if a quote was given by the e-Developer for a particular amount and it turned out that when all the paperwork was done that the job was actually much more difficult than the e-Developer had foreseen, was there a process with Quick Check jobs like this for there to be an adjustment upwards for Sydney Water's time and extra materials used or were you stuck with the, with the quote?---I'm not 100 per cent sure but I think the e-Developer, you actually charge or you actually cost Sydney Water but the Quick Check one you actually provide a quote, so if you spend more its Sydney Water's responsibility to cover the costs.

- 40 But in both cases the funds would be paid by the plumber, constructor or developer at the outset although there may be an adjustment as you said in relation to the e-Developer?---Well, the e-Developer thing, the payments, I'm not sure if they're paid during the job or at the end.

I see, I see, so for major jobs - - -?---They're (not transcribable) the front.

At various points along the way there'd be a payment upfront and there'd be additional payments to be made if it was a major, major works through the

e-Developer system?---Yeah, I'm not 100 per cent sure how that works but the e-Development people would know exactly how the payment's made.

Can I ask you then about the, and we've heard about the manual system in 2008 that was used at the Matraville depot, was there a thing called a job card?---That's correct, a job card.

10 Can you tell the Commissioner what that was?---A job card is essentially a standard form that we use which has been used in Sydney Water for a long time until the new system came into effect in 2008 and on the job card you actually have a job number for the employees that work on that job, their names, the time they start, the time they finish, travel time, they do a risk assessment on the job, materials they used, road restoration or whatever is required on that particular job is actually entered manually on the job card.

And the job card would contain principally as well as all of that information it would contain the job or work order number?---Correct.

20 So that when the records were eventually reconciled at the end of the work which had been done that the appropriate person could be charged or the appropriate account at Sydney Water could work out at the end with the quick check whether he'd made a profit or a loss on the job?---Correct.

In relation to materials used by Sydney Water employees at the Matraville depot can I ask you some questions about that concentrating on 2008 and with all of these matters I'll get you to fill in the present position but I am particularly interested in 2008. Was there a system of recording what materials employees took in order to use in the job in 2008?---In 2008 there would've, on the actual job card there was a section about materials you use,
30 you can actually write the actual material you use down on the actual job card.

I understand. So just so we're clear on the job card as you would consume the goods, you use them in a job you would write them down at that point. What I'm asking is that the, at any time prior to that when you actually took the materials from the shed at Matraville where they were stored and put them on your truck and drove them out there was there any record made at that time or it was only when they were actually used?---Depends, some items were actually under lock and key in the, in the store which only
40 certain employees had access to and, but other parts like pipes and fittings they're kept outside and the employees can take them at any time to do the work and there was no record in those days.

And with the ones kept under lock and key that's the high value items I take it?---That's correct.

Do you have a recollection of what they were?---They're mainly like steel, stainless steel clamps and special items.

You were present I think in the Commission earlier today when Mr Nobrega gave some evidence and I just want to ask you are you familiar on the purchasing side if you like of Sydney Water's business with what these things that you've got stored are used as materials in jobs what they cost?
---I have an idea.

10 If you were to ask you what the likely cost to Sydney Water would be of a job which I'll ask you to assume took place at the University of New South Wales in 2008, corner of Anzac Parade and Day Street where the materials used were a fire valve, wedges, bolts, washes, gibaults, you know what they are?---Yes, I do.

And a water main T. Roughly speaking what would be the cost to Sydney Water of that material?---I can only give you an approximate roughly.

Yes, that's fine?---Could be around \$1,000, maybe more or less depending on the size of the valves and the pipes.

20 I understand. And in relation to the, so that all of those matters, if there were a job card all of those items would be recorded and costed by Sydney Water - - -?---Correct.

- - - against a relevant job number. And what about the labour involved, I take it at Matraville depot in 2008 that the typical job would be conducted by a two man team in a truck?---Correct.

30 And did you have a charge out rate for each of your teams?---Yes. Sydney Water have got an hourly rate to do certain jobs, they're actually on the Sydney Water web page for the plumbers. It would've been roughly between 90 and \$100 an hour.

Per person or per - - -?---Per person. Per person.

Per person. And so again that - - -?---That can be quantified if you want the exact figure. I wouldn't have those figures.

40 That's fine but I just want to understand the process. That information namely the time spent and the individuals involved would also be recorded on the job card?---Correct.

In your time at the Matraville depot, Mr Romeo, were there occasions when it was permissible for Sydney Water employees to conduct connections to the Sydney Water system without having a job card?---Can you repeat that question?

Can you think of any occasions during your time as a manager at the Matraville depot, we'll concentrate on that at the moment, when it would

have been permissible for Sydney Water employees to do connection work to the Sydney Water mains system on behalf of a developer without having a job card?---No.

It's your evidence to the Commission that that's an invariable practice that there's a job card and a job number for all connections that - - -?---There's a job card for every job that the employees do.

10 I didn't catch that last answer?---There's, there's, in 2008 there would've been a job card allocated to all work that was carried out by the employees.

And a job number?---And a job number associated with each.

And you can think of no legitimate explanation for why Sydney Water employees at the Matraville depot in 2008 would be asked to perform a connection to a water, to Sydney Water's water mains without a job card and without a job number can you?---No.

20 You say in your statement, I just want to you just a few questions about that. Do you have that in front of you P106?---I have, yes.

Just picking it up at paragraph 6. You first met Mr Funovski when you started at Matraville in '04. Can you put a date on when it was that Mr Funovski took on as part of his responsibilities that this e-Developer role that you've told me about?---The exact date I can't give you exactly, it would've been maybe about two years after I started, roughly a couple of years ago.

30 So about 2006?---Something like that, 2007, 2006, 7 around that period.

I see. And who conducted his training in doing that? You mentioned a Mr Miller and a Mr Rostedkov, are there other redevelopers at the Matraville depot?---That's correct.

And did you manage or supervise that training?---No.

40 So you can't help us with what the content of that training would've been? ---No. The training is what they call on, on the job training, other experienced e-Developer employees train the other employees and plus they do a formal Sydney Water e-Developer training which is done all via the computer system and database so they've got to learn that too as part of the package.

And in terms of job cards and how to fill them in and job numbers was training in that matter any part of your responsibility?---No. That's a standard practice for all employees to learn to fill in job cards in those days.

Employees of Sydney Water in those days - - -?---Employees that are actually involved in doing work.

Any sort of connection work it's second nature is what you say that the job cards and job numbers would always be involved?---Correct.

I see. I said I'd give you an opportunity to do it, when were you computerised and did away with job cards and job numbers?---It was slowly introduced across Sydney Water in 2008, yeah.

10

Slowly introduced. And when did it finish rolling out?---Towards the end of 2008.

And again although there is no physical job card I take it there's still a job number or a work order number for all of the work that teams of Sydney Water employees did after you moved to computers?---Yes, everything similar or exactly the same. Just computerised instead of a paper version.

20

So everything's the same save that someone would be given what, a printout of a job to go to by the e-Developer and when they come back they need to enter into the computer the materials used, time spent and any other relevant information but that on the computer you would have an electronic version or an electronic record of the work order number and the job number because the computer version is just like paper versions you need to match like with like. Excuse me one moment, Commissioner.

30

THE COMMISSIONER: Yes. Mr, Mr Romeo, in November, 2008, Mr Funovski was an E-Developer Officer was he?---2008, he would've been. That's correct.

When an E-Developer officer is out on site involving the kind of work that Mr Nobrega described and you were in court, were you in the hearing room when he gave that evidence?---That's correct.

40

What does, what does the, do you know what the e-Developer is supposed to be doing there?---Sometimes he has to, he can attend the actual work, sometimes he doesn't have to. They can arrange another crew to actually do the work. The e-Developer officer actually coordinates to make sure the work gets done, organises the shutdown and - - -

So when he's on site he may be on, when he's on site he may have to do the work physically himself?---He might, he might not.

And if he doesn't do the work what is he doing there on site?---He could be there on a supervisory role or actually for additional help. Sometimes the shutdown is actually large, so you might need a few extra people to actually do the work.

And have you got a work team like Mr Desfontaines and Mr Nobrega and the e-Developer officer is there also on site, so there's three of them. Who's in charge?---Well, you would assume it would be the E-Developer officer or the team leader. But in the case of an e-Developer process it should be the E-Developer officer, but they work together as a team.

No, I understand that?---Yeah.

10 And what role does the E-Developer officer play in getting the job number?
---Well, he automatically gets one job number but then he creates other job numbers which are actually linked to the main job number. Like for example, he could raise a job number to give notice to people about shutting the water.

Through the, through the computer?---Through the computer or in the old days it would've been by a job card.

I see?---They can create job numbers.

20 Thank you. Yes.

MR PAYNE: Mr Romeo, at Matraville and subsequently, there is a system of recording the time spent by e-Developers on various jobs. I think it's called the WAM system is it?---That's correct. All the data is kept on the WAM system.

What does WAM stand for?---It's called Work And Asset Management System.

30 I'll show you some documents and see if you can help me with them. They've been produced by Sydney Water. Two pages. Do you recognise this, probably the first page I'll ask you about, the, the one with the very rich series of data. Is that an extract from the WAM system?---It does look like an extract, but someone at work put the report together. You can extract this data from WAM.

So when you say extract it, everyone's time goes into the WAM system. If you search on for example, Mr Funovski, and I'd ask you to assume that for present purposes - - -?---Yeah.

40 - - - the extract of Mr Funovski's WAM entries. This is the printout you'll get between 3 November and 30 November?---We do have experts in, in our division who actually, can run these reports.

Yes?---'Cause some of this work is actually specialised and actually - - -

You're indicating to me you're not one of them. Is that - - -?---I can do some of the basic reporting correctly. But all the information that's on here usually, you can find this from WAM.

I see. I think in fairness to this witness I won't take it further with him, Commissioner. I will take it up with, with Sydney Water. But I will tender the document at this stage for identification of what we're talking about.

10 THE COMMISSIONER: Well, it's the, it's the extract from the WAM system from 3 November to 30 November relating to Mr Funovski. Is that right?

MR PAYNE: Yes. Yes. And the second page just for identification purposes is Mr Funovski at the New College.

THE COMMISSIONER: The second page, that's an extract from the WAM system that reflects the work done by Funovski at New College in November, 2008.

20 MR PAYNE: Yes.

THE COMMISSIONER: Well I, the extract from the WAM system from 3 November to 30 November relating to Mr Funovski will be Exhibit P107.

#EXHIBIT P107 - EXTRACT FROM WHAM SYSTEM DATED 3 NOVEMBER – 30 NOVEMBER

30 THE COMMISSIONER: And the extract from the WAM system showing the work done by Mr Funovski on the New College site in November, 2008 is P108.

#EXHIBIT P108 - EXTRACT FROM WHAM SYTEM WHICH REFLECTS THE WORK DONE BY MR FUNOVSKI AT THE NEW COLLEGE SITE

40 MR PAYNE: Thank you, Commissioner. Just finally Mr Romeo, can I ask you just a few questions about on the job training for people at the Matraville depot in '08 and moving forward to Daceyville, well not today, up to the, up to a few days ago when you left your new position, to your knowledge and understanding was corruption prevention or fraud training something that was part of the training of each of the officers at Matraville during your time there?---We had one training session this year, earlier this year. It was done by your internal auditors.

That's 2010?---2010, yeah.

And that's the first occasion is it that there's been corruption prevention or fraud prevention training at least in your recollection from your time at Matraville?---Yeah. In my time at Matraville, that's correct.

I have nothing further for this witness, Commissioner.

10 THE COMMISSIONER: Yes. Who wishes to cross examine Mr Romeo?

MS WHITE: I do, Commissioner. Mr Romeo my name is Ms White. And I'm the barrister representing Mr Funovski. I just have a couple of questions about the, just firstly about this document, P108?---This one?

Yes. Is P108 the shorter one?---The shorter one, yep.

Is that correct (not transcribable)?

20 MR PAYNE: P108 is the shorter one, yes.

THE COMMISSIONER: P108 is the shorter one.

MS WHITE: Thank you. So these, the records, these three entries they have come, this information has come from where?---I'm assuming it might be WAM. It could be also the e-Developer process. I'm not a 100 per cent sure where that information came from.

But did you create this document or - - -?---Not me.

30 Have you seen this document before?---Not this page.

So do you know what it means, this page?---I know what it means, by when I read it.

Okay. Well, could you explain it to me?---Well first, for example the first one it says the start time.

Yes?---And then the finish time.

40 Yes?---And then you got the job number.

Yes?---What the actual description of the work is.

Yes?---And the location. And then you got, on the right hand side you got travel time, how long it took to get on site.

Yes?---And the number of hours you worked on it.

All right. And do you - - -?---And overtime hours.

I'm sorry, I didn't mean to interrupt you. Have you finished your answer?
---Sorry?

Did you finish that answer?---Yes.

10 And how do you know the person that this relates to?---Well, you can look at the job, actually you can (not transcribable) down into the job number and you can find out who the actual employees that worked on that job number.

Okay. So that means that for Lot 10 Day Avenue, Kensington, there were three job numbers. Is that right or - - -?---According to this, yes.

And would those three job numbers have been all about different things done on that site?---From the description, for example, the first one it says (not transcribable) creation and costing, which is providing a quotation for the work.

20 Yes?---The second one would've been for a commencement notice that's issued to do the work.

Yes?---And the last one is the, the audit construction, when the employees go out on site and do an inspection.

Looking at the document now as you sit in the witness box, do you know who this, this work relates to?---Not that page, no.

30 No. And the other document, P107, have you seen that document before?
---Not this page.

Did you create this document?---No.

And what does the document represent?---It's a list of job, job numbers and locations and the, the time they worked, and their number of hours and all that sort of stuff. It doesn't say who the employees, but it's got the actual job numbers on there.

40 Okay. So it doesn't say anything about employees on there?
---Not on, I can't see if there's names anywhere. No.

So is there - - -?---From the job numbers you can actually find out who the employees are on those work.

THE COMMISSIONER: Ms White, to save time I would just remind you that Mr Payne said that he would be calling somebody to deal with it.

MS WHITE: I'm sorry, yes, all right. I'll move on. I just wondered if this witness could say anything about these documents. And can you tell me, Mr Romeo, how many people share the e-Developer role?---Currently or in the past?

Well, firstly in the past?---In 2008 would've been three people and now there's about three, about four.

10 About four. And the Work Plan Coordinator is that a separate person?
---The Work Plan Coordinator is a separate person, the e-Developer person reports to the Work Plan Coordinator.

Okay. And what's his role the Work Plan Coordinator?---He, he, the Work Plan Coordinator coordinates the work plan for the particular part of Sydney Water and includes e-Developer but his role would be to, when you're actually doing the work if he needs employees to actually doing the connections or whatever he can allocate the employees to do the work.

20 All right. And is it the ultimate responsibility of the Work Plan Coordinator despatching the jobs or not?

THE COMMISSIONER: Sorry, I didn't hear that.

MS WHITE: Is it the ultimate responsibility of the Work Plan Coordinator to despatch the jobs or not?---Which jobs?

30 Well, the jobs from the depot in the morning?---No. The way the system works all the jobs are created through our call centre and it goes through our central scheduling area which is called the Resource Coordinators and that's for reactive work which is the emergency stuff and that gets despatched to all the crews. Our Work Plan Coordinator manages to make sure the work gets carried out.

Right. And so who is more senior out of the e-Developer or the Work Plan Coordinator?---The Work Plan Coordinator.

All right. Nothing further.

40 THE COMMISSIONER: Mr Stevenson?

MR STEVENSON: I have no questions.

THE COMMISSIONER: Yes. You may be excused, Mr Romeo, thank you very much?---Thank you.

THE WITNESS EXCUSED

[3.22pm]

MR PAYNE: With the assistance of the legal representatives present that concludes the questions today that touch or concern Mr Funovski and we're going to move to the PIAS inspectors.

THE COMMISSIONER: Yes. But you will be, as I indicated to Ms White I take it that you will be calling somebody to deal with these exhibits 107 and 108?

10 MR PAYNE: I will, Commissioner, and I deliberately decided not to ask this man when he indicated that he didn't know and it may be that I can do a better version of it with, I think it will be Mr McClure and we'll give notice to the legal representatives present of when he'll give his evidence later this week.

THE COMMISSIONER: So if anybody wishes to leave the Bar table you're free to do so.

20 MS WHITE: Commissioner, would that be this week when Mr McClure will be coming or we don't know?

MR PAYNE: Planning for Friday, yes, we'll give you - - -

THE COMMISSIONER: Tomorrow?

MR PAYNE: I hope it's not tomorrow, Commissioner.

THE COMMISSIONER: Friday?

30 MS WHITE: Thank you, Commissioner. I can be excused?

THE COMMISSIONER: Yes, certainly.

MR PAYNE: Commissioner, I call Jacqueline Gai Hiddlestone. I'm told she's here.

MR STEVENSON: Mr Stevenson to appear for Ms Hiddlestone, Commissioner.

40 THE COMMISSIONER: Yes. I take it you don't want a section 38?

MR STEVENSON: (not transcribable).

THE COMMISSIONER: Won't you be seated, Ms Hiddlestone. Do you wish to give your evidence under oath or do you wish to affirm the truth of your evidence?

MS HIDDLESTONE: Affirm the truth please.

MR PAYNE: Ms Hiddlestone, your full name is Jacqueline Gai Hiddlestone?---Yes, that's correct.

You're employed by Sydney Water Corporation although at present you're on secondment at the Department of Fair Trading?---That's correct.

10 You've made a statement in this matter?---Yes, I have.

Can I show you this document. That's a document of six pages together with some annexures. You've had a chance to look at that statement recently?---Yes, I have.

Are there any corrections you wish to make to it?---No.

20 Do you tell the Commission that the evidence contained in that statement is true and correct to the best of your knowledge and belief?---Yes, I do.

Commissioner, I tender that statement.

THE COMMISSIONER: Yes. The statement of Ms Hiddlestone will be Exhibit P109.

#EXHIBIT P109 - STATEMENT OF MS HIDDLESTONE

30 MR PAYNE: Ms Hiddlestone, can I ask you some questions in amplification of the matters that you've set out here. Firstly just about your background. You've got IT, accounting, business administration and OH&S experience, that was in the plumbing and building industries?---I have qualifications and I have experience in the planning building industry as well.

Were you ever yourself a licensed plumber?---No.

40 And the experience that you had prior to coming to first Sydney Water and the PIAS inspectors that was on the administration side was it of various plumbing and construction concerns?---Yes. Plumbing supplies and the like.

Plumbing supplies and the like. I see. When you came to Sydney Water and your initial position I think was described slightly differently at present but as I understand it you were put in at the top of the PIAS inspection supervision tree. Is that accurate?---In late 2005 when I came to Sydney Water it was in other positions.

I see. And your moved over to PIAS when?---Towards late 2005.

I'm sorry. And when you did that and just concentrating on your position within the PIAS hierarchy so far as PIAS inspectors were concerned you were the top of that tree and you reported to others in the management hierarchy and Sydney Water - - -?---That's correct.

10 - - - who didn't have any direct responsibility for PIAS but you were part of their series of responsibilities? Given your background in the plumbing and constructions industries did you know anything about the PIAS inspectors and their reputation before you were brought in to the PIAS area?---Can you clarify the question?

20 Well, just on page 3, just cut to the chase. In paragraph 9 when you came there you say, I think you saw a culture that didn't appear necessarily ethical and you did something about it and just so we're clear, I'm not going to criticise you for doing that at all I'm asking and in particular about your observation that the culture didn't appear necessarily ethical did it come as a surprise to you or had you heard that given your involvement in the plumbing and construction industries?---(not transcribable) If you're relating to fraud in any way, shape or form I hadn't heard anything in that respect. I'm talking about as far as work ethics so we're talking about the time left in the office versus the build, we're also talking about, if you've come from the private sector you actually have a different type of work ethic where you do the hours required to achieve the job at hand so you're talking about the different approaches to those. So in reference to fraud as such, no.

30 In paragraph 9 the Commissioner should understand that as being not necessarily ethical, you weren't saying that you had suspicions of possible corruption, you're saying that the work ethic of those involved you regarded as out of step with private sector practice at least?---And where I believe it should be.

You've seen haven't you in recent days, Ms Hiddlestone, that the transcripts of evidence of some long term PIAS inspectors who have given evidence to this Commission?---Yes, I have.

40 I take it given the reforms that you introduced that whilst no doubt disappointed by that evidence you weren't shocked by it were you that that had been going on?---Well, I certainly wasn't aware it was happening so, yes, I was quite disappointed to see it actually had arisen.

THE COMMISSIONER: Well, I must say my impression is from all the evidence that the reforms that you implemented have very good effect, a salutary effect?---Ah hmm.

But nevertheless there's still a residual section of the workforce that is involved in corruption?---Unfortunately it appears that way.

10 And I suppose the question is, do you think that other measures can be taken to eradicate those?---When I came into the role, I have a bit of a reputation of coming into a role and having a look at it, looking at streamlining and trying to improve the whole situation. When I found there was well over 120-odd years of culture in there that's very manual based, there was opportunities to actually streamline, have consistency in approach, ensure the customers got always and the plumbers had consistency in the way that had inspections undertaken. So I took that approach. One of the side-effects obviously has been the benefit of reducing possibility of any corrupt behaviours.

Will you now be focusing on the corrupt behaviours that we've seen evidence of in this inquiry?---It would be a time to actually have a good look and see if there's an opportunity just to improve that again, yes.

20 Do you have anything specific in mind or is that still to be worked on?
---We'd still have to go through and have a good look at that.

Yes, Mr Payne.

MR PAYNE: Can I take you just forward slightly in the statement?---Ah
hmm.

30 Just take up what the Commissioner's been discussing which you, which in effect, the critical questions, what you found, what you did about it and perhaps some idea for what can be done to improve further. Can I take you just about paragraph 14, a Mr Johansen who was then, he was a supervisor within the PIAS division?---Yes.

40 And your observation there of his, that relates back to, as you explained to me, that's a, that's a, both a work ethic question and a, and a disconformities between what you'd expect a manager to do in the private sector and what you observed was going on in PIAS at that time, at least so far as he was concerned?---I found his approach was very buddy-orientated to the staff, found that he wasn't really prepared to performance-manage staff or make hard decisions if they needed to be made, where you would expect a supervisor at the level he was at to proactively ensure the staff were managed, the field audits were undertaken and any behavioural or performance management will be undertaken as and when needed. And I wasn't seeing that actually happening.

And taking up the Commissioner's suggestion to you directly, that last sentence in 14, so you're saying Mr Johansen did those things, didn't want to make hard decisions, and the other managers simply closed up shop and didn't want to listen to any of the, the rumours?---Ah hmm.

And the rumours that you're talking about are the acceptance of gifts for, for, for inspection work?---Right. It relates to two occasions which is in late, probably early 2006, which relates to item 15.

10 I see?---I'd heard on two occasions, approximately about a month to two months apart, that an inspector had received a case of beer in relation to overlooking a non-compliance. I put that both to Rick Johansen and Anthony Pascale and asked them to look, or whether there was any truth to it, number one, where they both deny it. I then asked for it to be looked into. They looked into, came back and says, no, there's definitely no foundation to that rumour. I then spoke to internal audit which again was speaking to internal audit to look at, okay, if that was, happened to be correct, what are the options. We've looked at appropriate workplace behaviours, ethics, there was briefings to staff on that as part of your normal rotating every 12-odd months (not transcribable)

20 THE COMMISSIONER: Can I just ask you- - -?---So we do have (not transcribable)

Sorry, are you finished?---Yes.

I just wanted to ask you about this, another aspect of the managers?---Ah hmm.

There has been evidence, it may or may not be, I'm not saying that it's accurate- - -?---Ah hmm.

30 - - -but the evidence, there is, there is a lot of evidence being led of longstanding corruption all over Sydney at the PIAS inspector level and there is some evidence, well, that, I withdraw that. Part of the evidence is that a vast number of inspectors are involved. I mean, some of the evidence is not direct evidence, some of it is hearsay and some of it is hearsay upon hearsay, but nevertheless, there seems to be a kind of a general acceptance of the conduct that particular individuals have described in detail. There has been some evidence that this has been going on for 30-odd years. And there has been evidence that the managers of the inspectors have all been inspectors. And the inference that arises from this is that the people who are supervising the inspectors have actually participated, or some of them have, participated in this kind of conduct over many years themselves and are unlikely to regard it with disapproval. That being so, is there any plan to examine the position of the managers?---(not transcribable) work at Fair Trading. I'd have to discuss that with Fair Trading. That's not my place to actually do that.

40 Whose function is that?---I'm assuming who they report to.

But this is, this is more of a structural issue. The structural issue is that the managers of the inspectors are tainted with the same brush, so it seems. I don't mean that everyone is, but there is evidence that some might be. Put it no higher than that?---If it was found to be correct you'd actually have to address it obviously, but to taint somebody with an opinion and it can't be, it's unfounded or it can't be proved- - -

No---?- - -it's a bit unfair on that person concerned.

- 10 I accept that, but what has been revealed, do you accept that what has been revealed in this inquiry is a need for a very close examination of the history of individuals who are in supervisory positions to ensure that they, that their attitude to corruption is what one would hope for and that they have no history of participating in that kind of behaviour themselves?---I would expect that to be undertaken.

- MR PAYNE: And just one of the, one of the aspects of that, isn't it, Ms Hiddlestone, one of the advantages you had is that you came from outside of this culture, you were parachuted in, if you like, to a parallel universe where
20 as you've described, just going to paragraph 14, where you hear these rumours and to be fair to you, you try and do something about it, but as you say, the other managers simply closed up shop and didn't want to listen to any of the rumours. That can't have pleased you?---Not overly, no.

- And you would regard managers who put their head in the sand about admittedly only rumours, but who put their head in the sand about it as being not desirable candidates to continue managing inspectors who dealt with members of the public where there were at least opportunities for corruption, whether or not particular inspectors took them up?---Those
30 managers are no longer with Sydney Water.

- I was going to ask you that. I assume, I assume that that was, that was their fate. But can I ask you in particular about Mr Johansen that you have raised, and there was some evidence before the Commission that an inspector, having received money, took it and gave it to Mr Johansen in effect reporting the money that had been paid, and I'm vague on the year because the evidence was vague, perhaps in 2005 or 2006, and I'm not warranting that any of that is true. Is that evidence news to you or is that something that you knew about?---Total news to me.
40

I'm sorry?---Total news to me.

And I take it that if there had been any inspector who'd come having accepted money and reported it to Mr Johansen, you would expect there to be a documentary record within Sydney Water of that payment and Mr Johansen's acceptance of it and whatever happened as a result, both to the person who'd paid the money and the person who had reported it?---I would

typically expect that to be recorded, that to be raised and would have internal audit involved.

And as you sit here, what I've just said to you was, is news to you, that's not something that if it ever happened it certainly didn't happen on your watch so far as you're aware?---That's correct.

10 Can I ask you just to complete the story and the, when you got this feedback that, you know, they'd put it to the inspectors and they denied it, about the cases of beer, I think you said it was to pass a non-compliance, so it was actually, there was some problem with the plumbing and, and - - -?---That was the rumour, yes.

Yes, that's the essence of the rumour, was there follow-up in relation to those individuals in the new system in relation to audits and so on or you left them out of there and then went to internal audit and went about developing new systems?---Their names weren't given so therefore you've got very hearsay - - -

20 I see?--- - - - you've got, there was no names involved with this so again it's very much hearsay, that's why I raised it with the managers concerned, they say no, that wouldn't happen, I wanted it checked into which they checked into and came back to me and said no, this definitely hasn't occurred.

30 Is it your understanding that then in early 2006 that the managers, so the next level under you and just to be clear, I'm not directing any of this, I want to use the word manager, I'm not including you in any of this, that those underneath you as it were went to each of the PIAS inspectors and asked them whether they'd ever accepted - - -?---I believe they approached the inspectors directly, yes.

Do you know whether they made a record of that?---They didn't provide me with a record of that, no.

They did not?---No.

Would you agree looking back that it'd be desirable perhaps if they had for your purposes?

40 MR STEVENSON: Commissioner, the witness's answer was they had not provided her with a record, she didn't say there was no record.

MR PAYNE: I'm sorry, I'm sorry, I take my friend's point. As far as you're aware is there a record within Sydney Water of the inquiries that they made at that time?---I'm not aware of it, no.

Would you expect that if there was such a record that you would have been made aware of it?---Not necessarily.

I'll take it up with other witnesses. If there were such a record would you expect that it would be given to internal audit?---Given we're talking about a rumour of a case of a beer - - -

Yes?--- - - - it wasn't requested for a copy of any discussion or record of such to give to audit, it was verbal discussions I took up with audit of looking at ensuring that we had the appropriate probity in the business.

10 In relation to those managers who closed up shop and didn't want to listen to the rumours, was that at least in part your motivation for when the opportunity arise for moving those managers along?---I look at the context of the entire business - - -

Yes?--- - - - and what opportunity is there is move the business as a whole, we have some very, very good staff and you look, look over how it best improves for those, so in the context of the entire business, what is best for the business and the direction we're taking, you look at your structures as part of that whole process. If they don't the appropriate behaviours and
20 management style then it's time to move them on look at alternates to replace them.

In paragraph 15 can I just ask you about these reforms that were introduced, are they in addition to the, the issue of the tablet computers and the centralised booking system and the movement of inspectors that we've heard about, a number of the inspectors you'll be pleased to learn have described as the Hiddlestone or Jacqui reforms?---I'll take that as a compliment.

30 It's intended as a compliment. Are you saying that internal audit helped you develop those or are there, in paragraph 15 are we dealing with refinements, you having coming up with the three things that I've just identified?---I discussed it openly with audit, with HR, with various areas. When you're looking at developing something you have (not transcribable) also have input from various people. When talking about how to optimise placement of the inspectors, the audit, as part of a standard for all prevention you look at cycling and where is best to take that approach so cycling inspectors between areas is an area that actually works. So that feedback is certainly appreciated and incorporated.

40 And just, I'm just trying to put a time on this, what you're talking in paragraph 15 here is involving internal audit and liaising with those stakeholders, that's in developing the three things so the computers, the centralised booking and the movement of inspectors in particular, that's what we're talking about there?---The centralised scheduling is not as a result of any rumours, it's a part of good business practice of looking at improving, so it's the whole holistic approach taken. So input from various stakeholders is incorporated in that, of which also from audit, from HR,

from other business units. As far as cycling, it's definitely around for prevention which is the standard practice which we've established as a standard practice. That allows the inspectors not being known to a particular area all the time. Centralised scheduling has the benefit of allowing us to put any inspector into any area within Sydney Water's area of operation to cover whatever the needs are at the time so the plumber doesn't know who is going to turn up on the site.

10 Yes, and it's the combination of really those reforms that seem on the evidence to, as the Commissioner put to you, have had some real success in reducing opportunities for fraud although plainly not - - -?---(not transcribable)

Plainly not in eliminating it. On that topic I think you'd prepared a document which Mr Stevenson has shown me and I can show you it because I think it's a useful summary of reduction in probity risks and these reforms. I'll just identify it, that's a document you produced summarising, if you like, recent - - -?---Myself and Colin Ridley, my manager.

20 I'm sorry?---Myself and Colin Ridley, a manager from Sydney Water.

I see, and who, sorry?---Colin Ridley, R-I-D-L-E-Y.

He's involved in the PIAS section is he?---He's, I report to Colin in Sydney Water.

I see. So he's that next level of management?---Yes.

30 PIAS is one of his responsibilities, I see. This is a document you produced together?---Yes.

I tender that document if the Commission please.

THE COMMISSIONER: Exhibit P110 is a document setting out the aspects in which the probity risk for PIAS inspectors is being reduced.

#EXHIBIT P110 - RECENT REDUCTION OF PROBITY RISK FOR PIAS

40

MR PAYNE: And can we just work our way through this, Ms Hiddlestone. The old way, ringing the inspector directly, that was, at least on the evidence that we've heard, fraught with problems. There's a central booking number now and that was something that I think you introduced shortly after you took over?---I introduced that in 2008.

I see?---There was a manual version prior to that. With any IT system there is a lead time, there's scoping out the requirements, it's a matter of going through a whole heap of processes, that's one of the end results.

Yes.

THE COMMISSIONER: Can I just ask you about that?---Ah hmm.

10 There has been, one witness has said that its extremely difficult to get through to Sydney Water and for that reason in summary, well, that was one of the reasons why he actually preferred dealing direct with an inspector with whom, or a person of a, not an inspector but somebody of similar rank with whom he had a direct relationship because it was just too difficult to get through and it was, now in the experience of the Commission delay and, delay in speaking to people, delay in getting matters processed are massive incentives to corruption?---If you have a look at the centralised scheduling system which we can also provide obviously data on that, there are six staff who cover the phones, they're open from 7.30am to 4.30am.

20 Well, I don't, I mean I'm really not asking you for what you've done I'm just putting that to you and asking you where this is an aspect of the organisation which is monitored?---Well, I disagree with the concept that it's hard to get through because those lines are manned all the time so they turn, and the fallout rate on actual calls is very minor so to be able to get through is quite - - -

Is that aspect monitored?---Yes.

Yes, I understand.

30

MR PAYNE: The fees, the second point?---Yes.

The old system the inspector actually checked that the appropriate money had been paid to Sydney Water didn't he?---Yes. What they had to ask, or ensure the plumber could provide them with a or view the receipt on the field and the receipt number when the ring in to make the booking.

40 I see. So it was a manual process. And they realised with the inspectors to do that check with the system that's in place, that information comes from what we call is a quick check system, which they pay fees through. And there's a whole heap of, the information is automatically sent through to the central system. So as the customer rings in they provide the receipt number and that populates a number of fields on the computer for the ladies to take the calls. But then also ensures if there's a further need to be paid before they can book an inspection, it allows that to be fed back to the plumber concerned.

THE COMMISSIONER: Would this, sorry to come back to the, to the telephone?---Ah hmm.

But your system was introduced in 2008?---Yes, that's right.

And before then was it difficult, do you know whether it was difficult to get through before then?---Prior to that the plumbers rang the inspectors directly.

10 They did?---Yes. And the inspectors coordinated their time or told their plumber what time they were going to attend, where with the new system it allows the plumber to request a time that's more suitable to themselves. So we tried to turn it from dictating to the licensee when they're going to have an inspection to requesting a time that suits them.

And, and once a plumber is allocated through your new system, sorry, once an inspector is allocated through your new system does the plumber then deal with that particular inspector direct?---No.

20 What happens?---Once, once they book the, the time, say they booked at 10.30, inspection, say tomorrow. It's allocated to the area, the inspector for that area. So the plumber does not know who the inspector is. The system itself uploads that information to what we call is a field tablet, which the inspector has after 5.00pm. They attend the site at that, that allocated time. And undertake the inspection. So there's no correlation directly with the licensee and the inspector. We actually as part of the transition process here, is took all the SIMS cards off the inspectors, diverted them to this centralised number and issued them with new SIMS numbers in their

30 Yes, thank you.

MR PAYNE: Can I drop down a page, Ms Hiddlestone, because there is one aspect of the new way of working that I just wanted to take up with you. Third from the bottom, the surprise visits to audit inspectors work, just about that. The present system, does the, is the surprise modified, I can put it that way, are PIAS inspectors tipped off that on a particular day that the, that the audit will be conducted some time during that day or is it, is it truly random?---It is supposed to be. They should not be advised. And with the

40 actually, it allows you to actually see where they are at any point in time.

Yes?---It allows you to set your route to do the field, round of audits on the guys. And then, well their direct manager or the other managers can certainly assist at any point in time, would go out and do a check, that also lay on the back of the actual document they use, if there's any comments and it's signed by the inspector as part of that debrief.

THE COMMISSIONER: So we have evidence from someone who says that they are told of the day on which the inspector is coming. That might not be true?---As in the manager doing an audit or the inspectors comment for an inspection?

I'm not sure.

10 MR PAYNE: The day, the day that the audit inspector is coming and the audit inspector is carried out by a level of management below you or is there a separate - - -?---Okay. Because you've got two aspects. You've got the field inspection on the work undertaken.

Yes?---Which the inspector goes out to.

Yes?---This is the random audit that the manager would have a look at his schedule, work out his (not transcribable) that he's going to do how many on any particular day and that's a schedule he sets up.

20 Yes?---He would have a look at where the guys are, where it's appropriate for him to be in an area and by rights should be a surprise visit. Turn up at the same time or five minutes before the inspector is due to that particular site. Because the actual system itself lets you know exactly where they are. And they would undertake that field audit.

I see. And the direct manager conducting this field audit, I think what you're telling me is that (not transcribable) agreement it really should be a surprise?---That's correct.

30 Or it may not be as effective as it's intended to be and to the extent there's evidence before the Commission that people have crept into bad habits and field audits are notified on the day, that would be something that didn't happen with your knowledge or approval?---Certainly not approval. That should not be happening.

40 And it might be something that, that within the existing, we call it the new system, something that perhaps additional training could be directed to for corruption prevention purposes. The last point I wanted to take up with you on this page. The inspectors work from a single location. You've got all the inspectors that have gone across to Fair Trading now or on secondment to Fair Trading in a single location. There are advantages in a fraud prevention sense from having them all together in your view?---Well, if you've got, you can do your team briefs, your toolbox meetings. It allows you to cover anything that's required within the office. We actually also have what's called hot desking. There's a number of locations so if you're in a particular area doing inspections, it allows them to go back to that site to undertake allocated work, which could be putting their timesheets in, putting their annual leave or rosters in so that type of office processing. So there is hot desking and it's also currently available to them.

Can I ask you about a slightly different topic, but it's arisen in the evidence. You may have seen that some of these inspectors have been accepting cash payments have told the Commission that one of the ways that happened was that when the New South Wales Plumbing Code changed to require the plumbers to prepare a diagram of the plumbing work to submit with the paperwork, that some plumbers couldn't cope with this and that they in effect started a little sideline business of drawing the diagrams and in a few cases actually inspecting them and giving their work 10 out of 10. You may
10 have seen that evidence?---I've seen that evidence. It's very inappropriate.

I'm sorry?---I have seen that evidence, yes.

I think you said it was very inappropriate in your view did you?---I believe it is, yes.

And certainly that was until you read that evidence it wasn't something that you were aware of?---And I wasn't privy to it, no.

20 If approval were sought by a PIAS inspector to have a sideline job of drawing the drawings for plumbers I take it so far as you were concerned it would be refused?---We'd have to have a very close look to see where there's, if we saw it as being a conflict of interest.

And certainly in circumstances where the inspector was in effect checking his or her own work that that would scream conflict of interest to you I take it?---It would, yes.

30 THE COMMISSIONER: It might also be - - -?---(not transcribable).

I beg your pardon, sorry?---The diagrams actually provided by licensees with their certificate of compliance, PIAS do not pass or fail a site.

MR PAYNE: I understand?---I just need to clarify that, sorry.

40 THE COMMISSIONER: It's not simply the fact that one inspector might have to deal with his own diagram, he may have to deal with a colleague's diagram and so whenever you get, and he may be reluctant to criticise a colleague's diagram especially if he's told by the plumber that it's a colleague's diagram for which he's paid. So the whole idea of inspectors drawing diagrams on the side seems to be fraught?---I don't see it as appropriate.

MR PAYNE: Just on that and in terms of ideas for possible improvements to your knowledge, tell me if this is outside of your field of responsibility but there was some evidence before the Commission that plumbers were given training for a limited period in diagrams and what would be required and what they would have to produce but at least some of these inspectors

and I accept that it may be completely self-serving in that they were also coming along to say that they've received cash payments without telling you or anyone else about it but some of the evidence was to the effect that, you know, the plumbers needed help and, you know, what was I to do. Do you accept that this, if true, that this is a possible area of improvement that Sydney Water can look at to make sure that plumbers can get appropriate training in drawing diagrams that will be acceptable without resorting to the sort of things in your evidence here?---Okay. Every licensee's third year do drafting so they do diagram drawing as part of their training anyway.

10 Plumbers used to do the drawing and there was a period of time where Sydney Water actually did the, drew the rough drafts of the drawings. It was then put back to the licensees to do the drawing in 2007, there was comprehensive training made available to all plumbers who wish to take that up.

Yes?---There is a training package available via TAFE and some TAFEs, we're liaising with a number of TAFEs to actually take that up and offer that. We're also looking at the likes of the Master Plumbers and the like as other options to actually provide that training package. Sydney Water did
20 hold training for a period of time, so they've covered that as part of that rollout. It's fairly, the instructions on how to undertake that is quite clear, so but there's also providers in the marketplace that do diagrams that have businesses in the marketplace available.

I see. And are they widely available?---Across Sydney's areas. They've been to different briefing sessions in the Hunter region and around the areas as well.

I see. And have you received any complaints that you, that you can recall
30 from plumbers about the unavailability of, of training?---The training was made available. We had a waitlist right towards the end and we did a cleanup process. One of the managers took that as actual project time to take that. But as far as I'm concerned, all the training that was needed any anybody registered for training has undertaken that.

And you said licensees. Correct me if I'm wrong, licensed plumbers are licensed by Department of Fair Trading?---Yes, that's correct.

That's now. In this, in the new world that you've moved to, is that part of
40 your responsibility ultimately or is there somewhere else within Fair Trading that grants the licences?---That's under Home Building Services. It's another area. It's within the same grouping.

Yes?---So you eventually are going to have the state regulator and licensing together.

And you were telling me that drawing was part of getting an initial licence. Is there any- -?---It's part of the TAFE course.

Part of the TAFE course in order to become a licensed plumber. And when one renews is there any- - -

THE COMMISSIONER: Refresher?

MR PAYNE: Yes?---Not from Fair Trading, no.

10 THE COMMISSIONER: And do you have any intention to repeat the training that you've done at some time in the future?---We may in the Hunter region as part of bringing the Hunter Water into Fair Trading, but it more than likely will be available through accredited trainers, TAFE and the like, so that way it does become readily available periodically in different courses.

Mr Payne, I note the time. Do you have much to go?

20 MR PAYNE: I don't, Commissioner. I'm just taking some quick instructions on the run. I'm a few minutes away.

THE COMMISSIONER: (not transcribable) inquire whether there's anyone, any counsel here who wish to cross-examine, who wish to question Ms Hiddlestone?

MR STEVENSON: I have a number of, a few questions.

THE COMMISSIONER: Would it be a great inconvenience if you came back at 10.00 tomorrow morning?---(not transcribable)

30

THE WITNESS STOOD DOWN

[4.02pm]

THE COMMISSIONER: Thank you very much. We'll adjourn until 10.00am.

40

AT 4.02PM THE MATTER WAS ADJOURNED ACCORDINGLY

[4.02pm]