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INDEPENDENT COMMISSION AGAINST CORRUPTION

THERESA HAMILTON ASSISTANT COMMISSIONER

PUBLIC HEARING

OPERATION CRUSADER

Reference: Operation E09/0195

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY

ON WEDNESDAY, 1 FEBRUARY 2012

AT 10.05AM

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.

ASSISTANT COMMISSIONER: Thank you, please be seated. Yes, Ms Williams.

MS WILLIAMS: Commissioner, before calling the next witness may I just raise one transcript correction on page 162, lines 38 and 45 of page 162, there is a reference to David Schmude, S-C-H-M-U-D-E, that should be a reference to David Chaloub, C-H-A-L-U-O-B.

ASSISTANT COMMISSIONER: Yes. Yes, that's noted.

10

MS WILLIAMS: Thank you, Commissioner. And I gave an undertaking last week to tender two emails that were referred to by Mr McLean in evidence and the Commission now has copies of those emails that have been received from Mr McLean's representatives. I hand up pages number 389 to 391 and ask that those pages be included in Exhibit 6 and copies of those pages can be made available to any other representatives who want them.

20

ASSISTANT COMMISSIONER: Yes, pages 389 to 391 will be included in Exhibit 6.

**#EXHIBIT 6 - TWO EMAILS - PAGES 389 TO 391 BE INCLUDED EXHIBIT 6**

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MS WILLIAMS: And finally, Commissioner, a bundle of documents was marked for identification as MFI 3 last week. Those documents have now been paginated with the numbers 443 to 528 and I would ask that those pages be included in Exhibit 3.

ASSISTANT COMMISSIONER: Yes. Well, MFI 3 will now be included in Exhibit 3.

**#EXHIBIT 3 - MFI 3 - PAGES 443-528 - BE EXTENDED TO EXHIBIT 3**

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MS WILLIAMS: And, Commissioner, you made an order under section 112 in relation to MFI 3 on Friday last week and in my submission it would be appropriate for that order to be extended to pages 443 to 528 of Exhibit 3.

ASSISTANT COMMISSIONER: 443 to 528?

MS WILLIAMS: Yes, 528, Commissioner.

ASSISTANT COMMISSIONER: Yes. Well, the suppression order made under section 112 of the Act is extended to pages 443 to 528 of Exhibit 3 meaning that they cannot be published or otherwise communicated by anybody.

10 **THE SUPPRESSION ORDER MADE UNDER SECTION 112 OF  
THE ACT IS EXTENDED TO PAGES 443 TO 528 OF EXHIBIT 3  
MEANING THAT THEY CANNOT BE PUBLISHED OR  
OTHERWISE COMMUNICATED BY ANYBODY.**

MS WILLIAMS: Thank you, Commissioner. And, Commissioner, I call - -  
-

MR BOURKE: Sorry, just before that happens I just have two transcript references that affect my client Mr McLean if I could just note those. One is at page 295, line 37 when my learned friend was asking Mr McLean a question and it reads "I just want to take you back to May 2007, Mr  
20 McCallum attended a racism rugby day hosted by SNP" it obviously should be race and rugby day rather than racism rugby day.

ASSISTANT COMMISSIONER: Yes, yes, that's correct.

MR BOURKE: And the other matter is where it appears an entire question and answer have been deleted accidentally from the transcript, it's a question that I asked Mr McLean at page 305, just after line 30 where he gives evidence about holding positions with two basketball organisations and then the next question commences with the word honorary, however, in  
30 between those two questions and answers I asked him a question to the effect of, of this, "And in relation to those two positions that you hold are they paid positions or honorary," and he answered "honorary" so that's the part that's been omitted and then my next question commenced with the word "Honorary" and then carrying on subsequently.

ASSISTANT COMMISSIONER: Yes, I do recall that. Perhaps Mr Lawrence can chase up those, make sure those amendments are made. Thank you. Yes, if there's nothing else.

40 MS WILLIAMS: Commissioner, I call Mr Michael Quinlan.

ASSISTANT COMMISSIONER: Yes, Mr Quinlan, you are Michael Quinlan.

MR QUINLAN: I am.

ASSISTANT COMMISSIONER: Thank you.

MR HARRIS: Commissioner, Mr Quinlan will seek the section 38 declaration please, I'll just take a place while that happens.

ASSISTANT COMMISSIONER: Thank you. Yes, please take a seat Mr Quinlan. Mr Quinlan, you've been called here to give evidence. You are required to answer all of the questions asked of you. Your legal representative has indicated that you will seek a section 38 declaration. Do you understand the affect of that declaration?

10 MR QUINLAN: Yes, I do.

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

20

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

30

ASSISTANT COMMISSIONER: Now Mr Quinlan, the affect of that is that nothing you say here can be used against you in any future proceedings, the only exception being is if it is found you've breached our Act by providing false or misleading information or in some other way. Now you're required to take an oath on the Bible or to make an affirmation to tell the truth.

40 MR QUINLAN: An affirmation.

ASSISTANT COMMISSIONER: Yes, could the witness be affirmed, please.

ASSISTANT COMMISSIONER: Thank you. Yes, Ms Williams.

MS WILLIAMS: Mr Quinlan, could you state your full name and address just for the record, please?---Michael John Quinlan, XXXXX.

10 And until about October 2008 you were the Director of Facilities Management Services at the University of New England. Is that right?---I was.

How many managers did you have reporting to directly to you in that position?---At that, in 2008?

Well perhaps if we can take 2008 to start with?---There'd be three managers reporting directly to myself.

20 And was that position different at any time during the period 2003 to 2008? ---Yes.

Is that because there was an Acting Director to whom the other managers reported directly?---There was another, there was four managers at that time. Three of those managers reported to the Deputy Director. And essentially the Capital Works reported directly to me.

30 And the Deputy Director's position at some stage was abolished. Is that correct?---In 2007 we were, she resigned and I elected to take the budgetary saving.

One of the managers reporting to you as at 2008 was Mr McCallum, the Campus Services Manager. Is that right?---That's correct.

And prior to the resignation of the Deputy Director in 2007, Mr McCallum reported to the Deputy Director. Is that right?---That's correct.

40 He was ultimately responsible to you in a sense as the Director at that stage. Do you agree?---Through the Deputy Director, we worked closely together, yes.

Yes. And Facilities Management Services had a budget presumably and was the budget allocated to specific areas and specific contracts within those areas?---Allocated to specific areas and within those areas they would accommodate what contracts they had, service contracts, maintenance contractors.

So a part of the budget was allocated for campus services. Is that right?---It was.

And was part of the budget allocated specifically for cleaning services, first safety services et cetera or was it simply an overall allocation for Campus Services?---The University accounting system does not break it down to contracts, it breaks it down into very accountancy based line items, like services, consumables, other things like that. But within that grouping there would have been a division out that says look we need one point two for cleaning for the campus, we need X dollars for the fire service and they were controlled within those sub-accountancy break ups. But not line items that said cleaning contract.

All right. So no specific line items in the budget referring to particular contracts or purchase orders?---No.

But line items which allowed you to see how much was allocated for cleaning services and various other kinds of services?---Grouped together within that area, yes.

When you say grouped together within that area, if you looked at the budget you would see the amount allocated for Campus Services?---Yes.

Would you also see the amounts allocated for cleaning, security, mail services, for example?---No. No, you'd have to go to another level down and break those out again of those basic contracts.

That level down was that part of the budget document itself or was that a separate document created within (not transcribable)?---When you submit your budget document, probably about September/October you would have that break down to cleaning, fire and whatever. It'd be rounded up within the accountant sub-clauses for the Campus Services. So you had to go to the next level down that order.

And the allocations for a particular kind of service would be based on the contracted amount that the University had agreed to pay in respect of that service. Correct?---Yes.

And there would be an additional amount for contingencies relating to that service. Is that right?---If you went into that sub-level yes you would find the contracted sum for the purchase order for say, cleaning. And you would have another sum for contingency within, against the cleaning contract. And you'd roll it up to services within the accountant level.

And as the Director of Facilities Management Services what steps did you take to supervise the work that your line managers were doing in relation to their respective areas?---On a day to day basis?

On a day to day basis to start with yes?---On a day to day basis I would actually make a point of visiting all the line managers, sitting down and

having a talk with them, what's happening within their area of responsibility. We would have line managers meetings every two weeks. And within those line managers meetings we'd have an overall budget review, but not broken down to the individual cleaning or whatever, but within their specific areas of responsibility. So if they would be under by X dollars or over by X dollars we would ask what are you doing about pulling it back to the allocated amount.

10 So to take an example, Mr McCallum as Campus Services Manager would have to report to you in that meeting, how he's spending was tracking against the allocated budget for Campus Services?---I would have had a printout and it'd be pretty obvious how each individual area was going.

Right. From that printout you would see how much money had been spent in relation to Campus Services compared to the budgeted amount. Is that right?---Yes.

20 Would you see from the printout how much money had been spent in relation to one particular service, cleaning for example?---No.

So to take a hypothetical example, if Mr McCallum had allowed cleaning expenditure to exceed the budgetary amount for cleaning, but spending on other services was under, no budgetary problem would arise or be evident from that report?---No. That's correct.

30 All right. Did you as Director of Facilities Management Services receive any information about spending on particular services as against the budgeted amount for those particular services?---I was aware there was contracts for particular services. I was aware that there were set numbers of invoices for services provided on a monthly basis. I was aware that there was one-off events that may have happened within that service and we would obviously be paying a variation or an additional amount within that. And that's about the area of it.

40 And how would you become aware of those matters that you've just referred to?---I would be aware that we had a particular function on for cleaning for instance, so it would be outside of a one off function. It would not be accommodated within the cleaning contract because it's not a repetitive clean. So the one off function would represent a cost against the cleaning budget after the event.

Who would, is that something you would be aware of because Mr McCallum for example would tell you or the relevant line manager would tell you?---Look, some of those events I would know about myself because I probably had a phone call from the executive telling me about the event. Other people would ring in to Col and arrange smaller events by themselves without me knowing about those events so it would be a combination of.

Your line managers would be responsible, would they, for dealing with any invoices that came in from contractors within their areas?---Absolutely.

They would be responsible for approving those invoices for payment?  
---They would.

10 What checks were they required, if any, to undertake before approving an invoice for payment?---I would expect them to go to the relevant staff if they had staff, if they weren't and to say has, has this work been completed, is it 100 per cent completed or 80 per cent or have we got some problem with it? Their staff who are directly involved in the delivery of the service or the receiving of the goods would say, yes, we have 100 per cent and that invoice is fine to pay and they would either sign it or tick it or whatever and pass it on to their relevant manager for final approval.

And do you know whether your line managers in fact did that in accordance with your expectation?---The majority of the time I can say they did, yes.

20 All right. And how are you able to say that?---Because I saw, I was aware of most of those invoices. If they were unusual invoices they'd come up to me that no one could account for or some people were away so there was a normal expectation that our staff would say this work has been completed, it's fine to pay and give it to a line manager and that would go off to finance for, for payment.

30 What's an unusual invoice? What qualifies as unusual?---Look, an invoice could be a delivery of chairs for a lecture theatre, we've ordered 100 and we get 80 so we would debate that invoice and hold the invoice and say well, we've only got the 80, when are the other 20 or we'd do a 80/20 split on that invoice and only pay the 80 per cent and then we'd say well, where are the rest of the chairs and we have to make inquiries.

40 So an invoice is unusual and would come to your attention if one of your line managers or a staff member reporting to them raise some query or problem about it?---I would assume so but not always, they'd probably go to their line manager and say what do you know about this because maybe they didn't know about that. They would know the 80 chairs arrived, they wouldn't know that there'd been a previous amendment to an order that changed the colour. Now, the line manager would know that but I wouldn't expect the staff picking up the chairs to know that.

All right. Are there any other invoices other than these unusual circumstances you've referred to you that you had any direct involvement in approving?---Not the service contracts, maybe the capital contracts.

Was that because of the high level of the amount involved?---No, that's because the capital group reported directly to me.



I'll just take you back to the fortnightly meetings you referred to. What information was typically discussed at those meetings apart from the budget report that you've referred to?---I would give a report on University-wide initiatives, initiatives that I'd heard in an executive meeting or a directors' meeting that the University wanted to push. We would hear, so I'd do those kind of global issues and alert my managers to these situations, events, processes that we want to change. We'd go around the table and each line manager would give an update on their particular progress of works, services, new initiatives they were following and we'd end off with a budget review, especially on the end of the years because we're getting close to the Christmas finalise (not transcribable) and then I'd throw the table open to anyone for inquiries or who wants to put something on the table for all of us to take note of. It was more of a coordination session otherwise you'd have four distinct groups overlapping each other and be useful in your coordinator efforts in some projects.

Did the global issues you've referred to ever include for example the University's Code of Conduct?---Look, I can't remember at all discussing that.

20

Does that mean it's likely that that wasn't discussed at these fortnightly meetings?---I'd agree with that statement.

Were you aware that the University had a Code of Conduct?---I was.

Were you aware that it provided, for example, that staff members must not solicit or accept gifts or benefits that might directly or indirectly compromise or influence them in their official capacity?---Look, I can't say I actually knew that clause in there. I dealt with the Code of Conduct in terms of discrimination issues between staff and a couple of other stranger points so I knew the respect in the workplace and employees issues were in there. I can't say that I remember that particular clause that you're referring to. I'm obviously aware of it now but at the time I would not have picked it within the Code of Conduct.

30

At the time, that is when you were the director of FMS, did you have a view about whether or not it was appropriate in any circumstances for your staff at FMS to accept gifts or benefits from contractors?---I was aware that the staff received some small gifts at Christmastime, yes.

40

But my question was did you have a view at the time that you were the director as to whether or not it was appropriate for your staff to accept gifts or benefits from contractors in any circumstances?---I had a view that said it was acceptable to accept small gifts at Christmastime.

Was it your view then that other gifts were not acceptable?---In terms of gifts I can't remember any gift as a hard object gift turning up during the year for any of the staff.

What about benefits, being taken out to lunch, dinner, functions et cetera at the contractor's expense?---Look, I was aware that some staff and myself went out to dinners on particular occasions, yes, with contractors.

10 Did you have a view that that was appropriate?---I had a view that I was careful in being aware of if there was a tender situation or a influenced decision process coming up. I, I went out to dinner and I assume some of my staff went to dinner with some contracts that were long-standing and ongoing.

So I take it from your answer that unless there was a tender situation for some other event coming up that involved a significant decision relating to a contract, you did not consider it inappropriate for a staff member to be entertained by the contractor?---From what I knew there was, there was very infrequent events and at the time I did not take it as a particular harmful event at the time.

20 Was the Code of Conduct something discussed at the executive meetings that you attended as director of FMS?---I cannot remember a time where it was discussed.

Does that mean it's likely that it wasn't discussed?---Yes.

Did anybody senior to you at the University or in an equivalent position to you ever impress on you the need to ensure that the Code of Conduct principles were reinforced with your staff?---No.

30 Did you yourself ever receive training in the Code of Conduct?---No.

Do you know that the University introduced the Gifts and Benefits Policy in June 2007?---I wasn't aware of the date, I was aware that we had a Gifts Policy late in my time in the director's position.

So does that mean in about 2008 some time?---I would have been aware that there had been a Gifts Policy and to be frank the only issue I knew about that Gifts Policy was the \$100 limit.

40 All right. And how was that information communicated to you?---Look, I can't recall how I picked that up to be frank with you.

Do you remember whether you ever received a copy of the Gifts and Benefits Policy?---No.

Or a handbook containing the policy?---No, the only handbook I ever received as, as a handbook would have been the University handbook and that would not contain those policies.

Did the University run training sessions for you or any of your staff from time to time about the Code of Conduct and the Gifts and Benefits Policy?

---They would have run training programmes I suspect for the Code of Conduct for some staff and I know new staff were issued a copy of that document. I don't remember any training programmes at all for the Gifts Policy.

Was there an Intranet training programme that staff could undertake in relation to either the Code of Conduct or the Gifts and Benefits Policy?

10 ---Not that I'm aware of.

Did you yourself ever do any Intranet or computer-based training in relation to those policies?---No. They were listed on the Intranet and if you could search them through a, an alphabetical search engine you, if you were looking for them to find out the exact wording they were there but I don't remember any training at all on the Intranet for them.

So do I understand your evidence correctly, in about October - sorry, in about 2008 you became aware of the \$100 limit on gifts and benefits?

20 ---Yes, I did.

And did you understand whether that applied per gift or per contractor?

---Look, I presumed per gift.

Right. But you weren't sure?---I did not look it up.

At the time you became aware of the \$100 limit, were you aware that your staff were being entertained by contractors from time to time?---Look, I, given that it was 2007 and I left October 2008, I can't remember an event there that said that they were being entertained directly by a contractor that I knew about. I was aware that staff went on Fridays to the hotel and I heard subsequently evidence her about that issue, but- - -

30

Well, if I understood your evidence a little earlier correctly, wasn't it the position that you knew that from time to time staff went out to lunch or dinner with contractors?---Yes.

You didn't consider that inappropriate provided there was no current or upcoming tender situation or other major decision?---Yes, that's correct.

40

So with that knowledge, when you became aware of the \$100 limit on gifts and benefits, did it not occur to you that you needed to think about whether or not staff were exceeding that \$100 limit?---The scope and the scale of the gifts that I saw being received in the office, particularly at Christmastime, was the limit of a bottle of wine, a bottle of scotch, always less than the \$100. I did not see any gift that would alert me that staff might have received in excess of the \$100.

We'll come back to the question of gifts in a minute, but I'm asking you specifically at the moment about benefits?---Mmm.

Lunches, dinners, hospitality?---Look, there would have been dinners happening, whether they would have hit that \$100 limit I have no way of knowing.

10 And with the introduction of the Gifts and Benefits Policy you didn't make it your business to find out. Is that correct?---Look, I was made aware that we had a gifts policy. Like I said, I had no view that any of the gifts or hospitality being supplied to my staff would exceed the, as I perceived then the \$100, and I had, you're correct, I did not look it up.

How did you know whether or not the lunches and dinners for example that staff were receiving from contractors from time to time would exceed \$100? ---I wouldn't have known. There would be very few places in Armidale that might exceed that dollar value that my staff might go to.

20 Is it fair to say you didn't regard the Code of Conduct and the Gifts and Benefits Policy as serious matters?---Well, I had limited knowledge of the gifts policy, correct. The Code of Conduct Policy I was aware of and had used it in terms of staff discrimination, so I was aware it was a significant policy in that area. I was not aware that the details of the gifts section within that policy.

And you, sorry?---I hadn't, I hadn't reviewed it or read it in any detail, I was more focussed on the other sections of the policy.

30 The other section of the, of the- -?---Code of Conduct.

And those being the sections relating to discrimination. Is that correct? --- (NO AUDIBLE REPLY)

And apart from those sections relating to discrimination, you didn't make it your business to find out about or inform staff about the other elements of the Code of Conduct. Is that right?---No, I didn't.

40 Were you aware that the University introduced a Conflicts of Interest Policy in June 2007?---Yes, I was. I've actually used that and my staff have used that policy.

You used that whilst you were the director of FMS, did you?---I did, yes.

In what context?---I had need to sign a Conflict of Interest document myself because my son was being employed on a contract project that was happening on the University so I signed one then. My staff at various times signed off those conflict of interest documents for issues as well.

And once a, once a document was signed, that's a declaration you're referring to, isn't it, a- - -?---A conflict of interest form as per the University.

And that involves the person with the conflict explaining to the University what the conflict is. Correct?---Yes.

And the relevant supervisor indicating and signing off on how the conflict is going to be managed. Correct?---That's right.

10

Do you consider that your staff at FMS had a good understanding of the concept of a conflict of interest?---Staff generally, probably not. Certainly my line managers.

So you think Mr McCallum for example had a good understanding, did he, of what an actual conflict of interest was and a perceived conflict of interest?---Mr McCallum had a good knowledge of the conflict of interest form because he signed one in front of me.

20

I'm not asking you about the form, I'm asking you about the concept of an actual or perceived conflict of interest?---I presume he, I presume he did because he alerted me to a perceived conflict that he was facing.

That was in relation to the employment of his daughter. Is that correct? ---It was indeed.

And apart from that you don't really know one way or the other what his understanding was about the concept of a conflict of interest, do you? ---No, I didn't have an in depth discussion about it, no.

30

Mr McCallum was responsible for contracts of a large value within FMS, was he not?---He was, along with the other line managers, yes.

Responsible for carrying out tender processes for the award of those contracts?---He was.

And then responsible for administering the contracts?---He was.

40

It was important, wasn't it, that he understood properly what a conflict of interest was and how it should be managed?---I'd assume because he had brought that form to me and alerted, alerted me to a conflict of interest with his daughter that he knew what a conflict of interest was and was aware of it.

The employment of Mr McCallum's daughter, that was in about February 2008. Is that correct?---I'll take your word, it sounds correct.

So prior to that time you didn't know one way or the other what if any understanding Mr McCallum had about the concept of a conflict of interest. Is that right?---No.

10 Why as director of FMS did you not make it your business to ensure that your staff fully understood the concept of a conflict of interest and how it should be managed?---The conflict, all policies of the University are held on the Intranet. If staff had a view that the common way to find what that policy said was to go to the Intranet and review it. If they had a question they would either come to me and we'd contact the relevant area who control that policy and clarify it. As I said before, there was very little training around general issues with all those policies, there's an awful lot of them, and all of my staff would have known that if they needed to find information on a policy, whatever that policy was, it was freely available on the Intranet.

So is this fair? You relied on your staff to first of all identify when they needed to consult a particular policy, correct?---(NO AUDIBLE REPLY)

20 Secondly, if and when that happened, to look the policy up on the Intranet, thirdly to understand and apply the policy correctly. Correct?---Yes.

And if they were having difficulty at that stage to come to you for assistance. Is that right?---Well, we would both track down the relevant person who was responsible for the policy, yes.

30 And on how many occasions in your time as director of FMS did you, together with a staff member, track down somebody at the University about an issue arising out of the Code of Conduct other than discrimination issues?---There wouldn't have been any.

How many times did you, together with a staff member, track down the relevant person at the University about an issue arising out of the Conflicts of Interest Policy?---None.

Was any information provided to contractors about the University's Code of Conduct and restrictions on FMS staff in dealing with contractors?---No, they weren't.

40 It was a frequent occurrence, wasn't it, that a contract that needed to be let by FMS would be tendered for by one or more local companies in Armidale, is that correct?---Given how small the town is, you're correct.

And it was also a common occurrence, wasn't it, that the relevant staff member at FMS may know the staff at the contractor who were tendering for the contract?---There's 21,000 people in the town, it's very hard not to know most of the people who work for the University either as employees or contractors.

And in those circumstances, conflict of interests were an inherent problem, weren't they, in the work that FMS was doing in letting contracts for the University?---I believe my managers had an ability to discriminate about a conflict of interest, if they had an issue with a conflict of interest they raised it with me. Most of our contractors conducted themselves with authority and professionalism in their duties on the University.

10 Didn't you think it was a risk for example, that one of your managers might even subconsciously favour somebody they knew in making decisions in connection with the tender process?---A tender process would be very hard to favour because essentially we would just about always take the cheapest product that conformed with the specification.

I take it from the evidence you've given so far about gifts and benefits that there weren't any occasions whilst you were the Director of FMS that a staff member made a formal disclosure to you that they'd received a particular gift or benefit. Is that right?---Not a formal disclosure, no.

20 So there were no entries that you were aware of into the University's gifts register?---No.

30 What were the procedures within FMS if staff wished to complain or report inappropriate behaviour?---Oh look I made it known at various staff gatherings, meetings that I had an open door for all staff and they could come in and talk to me at any time from any level. I also encouraged them to go to their supervisor and or line manager if they felt more comfortable with that process. And of course they could always go to HR and check with our Equity Officer or the staff at our HR Department without any reference to myself for instance.

Did any FMS staff member ever raise with you a question about managers or line managers receiving hospitality from contractors?---Not that I can recall.

Does that mean it's likely that that didn't happen or you simply can't recall?---I simply can't recall it.

40 Your current position at the University is Director of Infrastructure. Is that right?---It is.

How did that, I'll withdraw that. That's a position that was created in about mid-2010. Is that correct?---It is.

And what were the circumstances that led to that position being created?---I spent the previous 22 months as the Chief, Acting Chief Operating Officer. They appointed a new Chief Operating Officer. I was quite prepared to go back to my old position, which was my substantive position in the

University. I was approached by the Vice Chancellor who'd said, look I've got a new role for you. I'd like you to oversee all the infrastructure of both IT and Capital. And it was a new role that he wanted created. And I was appointed into that and signed a contract against that.

10 And can you just describe in a little more detail, although briefly, what your responsibilities are as Director of Infrastructure?---I oversee the ITD, which is our Information Technology Directorate and have the Director of that area report to me. I would oversee the Facilities Management area and have that Director report to me. Together we would formulate an overall capital plan for the University, both IT based and capital based. And as well as that there was a couple of key projects that I was responsible for.

And in that role as Director of Infrastructure, are you -- sorry, I'll withdraw that. How many managers, if any, do you have reporting to you as a Director of Infrastructure?---One.

And who is that person?---Rob Irving, a Director.

20 And he's the Director of?---ITD.

As Director of Infrastructure are you aware whether the ITD staff members are familiar with the principals of the Code of Conduct?---No, I could not say that.

Are you aware whether those staff are familiar with the principals of the gifts and benefits policy?---I can't say that either.

30 Do you understand what practices are in place within the ITD to manage first of identify and manage conflicts of interest?---No, I do not know.

You've been aware of the subject matter of this investigation for some time. Correct?---I've been aware of it since members of this Commission appeared at the University individually, yeah.

And that was in about March this year. Is that right?---It would have been, yes.

40 I'm sorry, I'll withdraw that. That was in about March last year. Is that right?---Yes, you're correct.

And so is this the position that since March 2011, you've taken no steps as Director of Infrastructure to find out what is done to enforce the Code of Conduct, the Gifts and Benefits Policy and the Conflict of Interest Policy within ITD?---Given the fact that I didn't know the nature of the allegations against the person of interest, it was hard to say what was, they were checking on.



All right. Well I take your answer is relating to the reason why you may not have done it, but is it the case that you've taken no steps since March last year as Director of Infrastructure to ensure that the principals of the Code of Conduct, the Gifts and Benefits Policy and the Conflicts of Interest Policy are understood and enforced within ITD?---It'd be a fair statement.

Are you aware of the University's Fraud and Corruption Prevention Policy?---Yes, I was aware. I was on the committee that at the time, well, an invitee to that committee that passed that.

10

That's the Audit and Risk Committee. Is that right?---It is.

And you attended that committee by invitation when you were the Acting Chief Operating Officer?---I was, yes.

And you were at the committee meeting that passed that policy. Is that right?---I was.

20 Are you aware that the policy provides for the need to develop and implement fraud control plans?---I was also aware of that policy regarding training that we never received. So it was pretty hard to implement the fraud control plans without the associated training.

So you yourself have never received training in relation to the fraud and control policy?---No.

Sorry, Fraud and Corruption Prevention Policy?---No.

30 And so far as you're aware the staff reporting to you in ITD have not received any such training?---No.

Is that something you've raised with the University at any stage?---No.

If we can just go back to your role as Director of FMS. I just want to ask you some questions about the procurement practices within FMS whilst you were the Director?---Yes. Yes.

40 Are you familiar with the University Purchasing Policy?---The draft University Purchasing Policy, yes.

And that provides does it not that a proposed purchase over a value of \$150,000 should go through the Central Procurement Group?---There's two parts there. One is the level of receiving quotations, written quotes and to a tender processes within a guideline. And that has been shown a form that this Commission has seen in terms of the three quotes with the tick at the top at the various levels with a manager's signature at the bottom. Is that what you're - - -

Just to interrupt you there for a moment. That's the purchase order requisition form you're referring to?---Yes, that's right.

Thank you. Please continue. So they, my staff would have been aware of those levels. We would have been aware of the levels to go to a formal tender, so, yes.

10 All right. Could we bring up on the screen please volume CP2 pages 67-74. Mr Quinlan, while that's being brought up I referred in my earlier question to a Purchasing Policy, it's in fact these purchasing procedures that you see on the screen now that I wanted to ask you about?---Yes.

Did these procedures apply to FMS purchasing at the time that you were the Director?---Oh look I presume so without seeing the date of that procedure, yes.

20 And is it the case that purchases of over \$150,000 were supposed to be arranged through the Central Procurement Group?---Look, I don't know. I know they would have to go to a, maybe a tender situation, the arrangement through the Central Procurement Group, my view was that they didn't have a lot of skill in that area and were not skilled in some of the more technical tenders that we would put out.

30 What particular skills did you perceive the Central Procurement Group as lacking during your time as Director of FMS?---I perceived they had a lack of general skills in procurement and there was certainly a lack of policy documentation guidelines and templates would have been useful to have. This is, as you can see, the Guide to Procurement as a draft procurement policy and a draft manual. None of those had been formalised and none of those had been enacted for the University to follow given the fact they were in draft. If they were in draft they're normally up for comment and review and they simply failed to formalise that process.

And is it the case that during the whole of your time as Director of FMS there was no University procurement policy other than the draft you've been referring to?---That's my understanding - - -

And also - - -?--- - - - as I remember it, yes.

40 And also no procurement manual or guidelines?---No.

What, what problems did that give rise to from your perspective as Director of FMS?---It was very difficult to give guidance to staff generally on the levels of the guide to procurement, how to go about a procurement process, how to write recommendations up to tender committee, what are the processes of a formal tender analysis and review. Even to what contracts you may well have used to engage contractors either for services or the procurement of goods basically. So a lot of those areas it was left, it was

left to - well, myself in the early days when I acquired that job, in fact that form you see for the purchase requisition form is not a finance form, it's a form I instigated for my own staff, for their review, and especially for the lower level staff to be aware of the limits that they needed, the two quotes, the verbal quote or a tender process. We adopted Department of Commerce tender procedures because they seemed to be fair and reasonable and took account of regional rural areas in terms of how they went about that and they seemed to be a reasonable standard to follow. The tender process, we would put together our own specification of the process involved. I elected to go for Australian Standard contracts both for service delivery and for capital. They've been subsequently amended a few times by others but we still use those contracts. When it came to a tender and a tender analysis we were, no guidance in terms of how that went about so we simply viewed those figures ourselves and went through an analysis ourselves. Only in 2007/2008 did the procurement section become involved in that process and we would write our tender recommendations essentially the way we saw fit to write tender recommendations to either the Chief Operating Officer and/or the tender committee, depending on the dollar value.

20 Did you yourself have any training or qualifications in procurement?  
---Apart from being in the construction (not transcribable) for 20 years before this, no.

So far as you're aware did any of your staff within FMS have any training or experience, sorry, training or qualifications within procurement?---No.

And the experience they gained was experience on the job, is that right?  
---Pretty much.

30 Prior to 2007 did Central Procurement Group seek to become involved in FMS tender processes?---Prior to, no. They essentially got a new deputy director who had a view to procurement and added some guidance in those fields then but I'd say in 2007 there was very little guidance.

And you referred in your evidence to 2007 and 2008 the Central Procurement Group seeking to become involved - - -?---They did.

- - - I think and in what way did they seek to become involved?---We had instructions to formulate procurement plans, something we'd never done before. They asked for representation on some of the tender analysis committees as an observer only, not as a participant and they got involved in more structured tender reports to tender committee. In fact they wrote their own tender report on top of our tender report.

Was that involvement something that you considered at the time to be useful, taking the procurement plans to start with?---At the time I did not think they were useful because I thought they were just another bureaucratic layer that we had to go through, I didn't see the benefit. I may reflect on

that now as there is a benefit but at the time, and given it's such a long duration of no involvement and for them to come in and to start specifying what should happen courtesy, without any reference to a guide book or the reasons why or templates as to what we're to write, just to say you need a procurement plan was to leave us floundering by saying well, what does a procurement plan contain.

10 And were they able to assist you in helping you understand what a procurement plan contained?---Look, I think we wrote a number of copies and it went through a number of edits by the then Deputy Director of Finance and through those edits we got to have a view to what he would want to see in a procurement plan.

Was this a procurement plan for the whole of FMS or for particular types of services?---No, just for particular contracts that went to tender.

20 Their involvement in terms of having observers on the Tender Assessment Committees, was that something that you perceived at the time as being useful?---I didn't think it was useful being an observer only. If you're going to be on a committee like that I would have thought they would have brought some technical skill and be involved.

Did the people who were participating in the Tender Committees as observers in your view have technical skills that would have enabled them to be usefully involved?---I was aware that one in particular, the procurement manager had very recently complete a procurement course.

30 And so far as you were concerned did that person have technical skills that would be of assistance if he had been involved other than as an observer? ---He may have but he confined himself to being an observer.

Did you ever suggest to the Central Procurement Group that they should be involved other than as observers on these Tender Assessment Committees? ---Look, I did not find it useful having an observer. If you have the technical skills in procurement why wouldn't you contribute to a procurement plan or a tender analysis.

40 The Central Procurement Group's practice in 2007 and 2008 of writing their own reports to the COO or the Tender Committee, was that something that you perceived at the time as being useful?---No, mainly because they simply regurgitated what was the information in our report so essentially there was two reports with the same information, just as a different wording. There was two useful views to that. At the bottom there was a commentary that said had funds been allocated for this tender process and that the tender process has followed due process. The rest of the report was essentially a regurgitation of our report.

The Central Procurement Group's involvement in FMS tenders from 2007 that I've been asking you about, is that something that led to tension between FMS and the Central Procurement Group?---It led to tension between FMS and the Deputy Director who was insisting upon new reports, the procurement report for instance, without having any policy to back it up, without having any templates and we were having some battles, it's true, concerning what he actually wanted to see within those documents because it was very hard to rewrite and then write again those procurement plans.

- 10 And were any steps taken at the University so far as you're aware to resolve that tension?---Yes. I went to the Director of Finance and said, look, we need to formalise the process of what you people really require. We're getting very sick of doing these issues and I did press the Director and in 2007, and as the Chief Acting Operating Officer to formalise those processes so people have clarity of what's required.

And so far as you're aware, those processes have still not been formalised. Is that correct?---I still think it's a draft procurement policy.

- 20 As I understand your evidence, the process that FMS would follow when it needed to let a tender is, is this – first of all, FMS would write the tender specifications. Is that correct?---Yes.

And who within FMS would do that, would it be the relevant line manager? ---Yes, it would be, and we would seek guidance and/or examples of a technical specification from other universities to use as a template for that.

- 30 The relevant line manager would also specify some tender assessment criteria and weightings to be given to those criteria when tenders came in. Is that correct?---When we were requested to put in the assessment criteria, as I remember it that came as quite a late request from my view from the tender committee in terms of there should be a matrix involved in terms of a monetary score against a criteria. That was a request to me from I think the then head of that tender committee and we used those within the tender analysis in the early stages and of course incorporated that within the procurement plans as requested later on.

- 40 Do you recall roughly when you were requested to do that by the head of the tender committee?---Look, I'm sorry, I've got no particular view on that.

So is this the case, that prior to that request there were no formal assessment criteria as such?---That's right.

And the line manager and other FMS staff who were appointed to the Tender Assessment Committee would simply discuss the tenders that had been received?---No, they would do an analysis across the submissions in, there would be schedule of rates supplied, mostly if they were filled out we would compare those because you can get an analysis for Sunday work and

whatever, and of course against the baseline specification against a common scope of work there would be a bottom dollar line value. And as I said, it would be an unusual situation for us to recommend a tender unless it was the lowest. We have recommended other tenders by the way, but it would be unusual.

And the, when the request was made by the head of the tender committee, FMS had to then start stipulating formal assessment criteria. Is that correct?  
---We had to, I remember looking up what formal criteria we could use  
10 against some of the assessment, yes.

Is it fair to say that that was a difficult process for FMS to undertake with no particular guidance working out assessment criteria and weightings to be given to those criteria?---We struggled.

How was it decided who within FMS would be on the Tender Assessment Committee?---Most of the tenders were specialists within their own areas so maintenance or capital works or campus services. Within those areas there were supervisors, technical people who would know, who would know the  
20 scope of works required for that particular tender, and they would be technically capable of doing an assessment in line with their line manager, yes.

So the line manager would always be part of the- -?---Yes.

- - -assessment committee?---Yes.

And he or she would select some staff members with the relevant technical expertise. Is that right?---That's right.  
30

Did those staff members, so far as you're aware, did they understand how a tender process worked and what their role was on the tender committee?  
---They knew they were there to assess the tenders supplied in terms of a technical specification and some of them could be very technical. A cleaning one is actually quite an easy specification. There's others in the mechanical field for fume cupboards for instance that can be quite complicated in terms of the Australian standards and their recommendations. So you had to assess the contractor which submitted the price and was going to do work in line with the associated Australian  
40 standards, the products they were using as replacement parts, were they adequate, were there call-out rates and what were those rates, and of course the lump sum for providing two or three services a year for instance. The cleaning one was a monthly ongoing one with one-off events disbursed within that contract.

And at the end of the analysis, the Tender Assessment Committee would prepare a report which made a recommendation as to how the tender should be awarded. Is that right?---The line manager would do the write-up

normally and I presume would have cross-checked with the members of that committee.

10 Did the committee members have an understanding, so far as you're aware, as to whether or not they were entitled to suggest changes to that report or disagree with the recommendation?---They would certainly have views to some of the contractors who put in the tender recommendation, then it would be based upon their experience, and that could be a recommendation not to accept that particular, if it was a lowest particular contractor, based on their experience, and they would have to, they would resolve that situation within that group themselves. But there had to be a valid, so they did have the technical skills to do the analysis, they would look at scheduled rates, spare parts prices, how long it would take to do a particular work, and that would be useful for the line manager because he, he or she would not know that level of detail required in the schedules that backed up the tender.

20 And using that input from the staff members, the line manager would ultimately decide what recommendation should be made in the report. Is that correct?---I would have thought that would be a, they would all agree to it.

And if there was disagreement they would have to resolve that between themselves before the report was published. Is that right?---Yeah, but, that's right.

30 And the line manager as the superior officer on the tender committee would realistically have the final say. Correct?---He would in a general situation. If any of those members of those committees had an issue, I would have hoped they'd come to myself and say, look, we have a problem within this review group.

But it's fair to say, isn't it, that their, they may have felt some uncertainty about that, given that FMS had had to construct these procurement procedures from the ground up?---Yes.

40 The recommendation of the Tender Assessment Committee would go to you in the first instance. Is that correct?---Well, it depends on what time you're talking about. It would have gone to the deputy director first, they would have gone through the logic and the review process themselves, and then it would come up for me for a signature.

Right?---The capital works programs would come directly to myself.

And speaking first about the reports that would go to the deputy director first, when they came to you as the director, what sort of analysis did you undertake or inquiries did you make before signing the report on the recommendation?---I would normally ask who's, who's the selected contractor, why, on what basis, cost, technical skill, whatever, review the

prices or the spread of the prices themselves, ask which ones had been interviewed to clarify those schedules which were quite difficult to fill out, and essentially if I was happy with those answers I'd, I'd agree with it.

The University's tender committee as opposed to FMS Tender Assessment Committees, it is involved for tenders over \$2,000,000. Is that correct?  
---At the moment, yes, for that dollar value, yes.

10 And the tender committee's involvement is limited to reviewing and raising any issues with the final recommendation. Is that correct?---Yes. They would review the tender report as it's now structured, they would be focussed on is the money allocated within the budget for that particular \$2,000,000 plus project, and there would have to be a signature from the chief operating officer saying there is budget allocation for this process. They would review the weighting score, as they are now, in terms of the assessment level, because it's developed quite a bit, and they would ask relevant questions about whatever. And I would be there to, as an invitee to, for my contracts, to respond.

20 Does the tender committee get involved for example in the procurement plans that are formulated before the tender process formally commences?  
---No.

And they have no earlier involvement in the tender process, that is before the report is prepared and submitted to them. Is that right?---Not the members. There is invitees on that committee so I would be there as my contract, the director of finance would be there to answer the finance questions, the chief operating officer would be there because he has responsibility for the overall University budget and would need to answer those, so they're the people, they'd be invitees to that committee, but they, the committee members themselves would not I think got involved in a procurement plan.

30 Just coming back to the FMS level for a moment. The line manager who has worked on the tender specifications conducted the assessment of the tenders with the Tender Assessment Committee and written a report containing the recommendation then becomes responsible once the contract is entered into for administering that contract. Is that right?---They do.

40 They are responsible for approving invoices for payment under that contract?---Finally after they'd as I said before gone through a supervisor level or whomever else, yes.

The Line Manager is also responsible for dealing with any variations to the contract. Is that right?---As long as the variations stayed within the contingency sum, yes.



How is the contingency sum set? Is it by a dollar value or a percentage of the total contract value?---It depends on which area you'd be looking at. If it was capital works I'd say on an average project we'd set the contingency sum at five per cent. If we had particular knowledge, for instance, cleaning of the number of events we had last year and how much that cost us in terms of variations, essentially, then we would try to make an assessment of any future events that we know about. We had a University anniversary a couple of years ago and we allocated more money for those style of events. So it'd be a combination of both and depending on which contract, how that went about.

So if additional work needs to be done that's not covered by the contract but it's within the contingency amount the Line Manager can sign off on invoices for that work without issuing an additional purchase order or formally varying the contract. Is that correct?---That's correct. In fact within the tender committee the recommendation normally agreed to by the tender committee was that we'd enter into a contract for X dollars with a contractor and that we would have a contingency sum with the project budget to be administered by FMS. That's how it is.

And the Line Manager would not need to consult with you about administering that contingency amount?---Only if he had a worry and a concern that that contingency sum would be blown before the end of the year.

Would a risk of the contingency sum being blown before time appear from the budget reports that you discussed at the fortnightly Line Managers meetings or the level affecting (not transcribable)?---No, it would not. They probably would come to me and say we need to get the contingency sum raised because of a problem, whatever that problem may be and we would have to go back to the Chief Operating Officer and explain why that contingency sum would be (not transcribable) before the end of a calendar year, because they are allocated on a yearly basis. And then we would make a decision how we'd handle that from there.

Taking the Campus Services area as an example, contracts were frequently entered into for a total term that included an optional period for the University to decide whether or not to extend. Is that right?---Most of our service contracts had a duration of five years made up of a three plus two option at the University's discretion.

And the Line Manager responsible for administering the contract would make a decision or recommendation as to whether or not the University should exercise that option for a further two years?---Yes, he would. And it would be the normal process and a normal expectation that if the contract was proceeding well it would go straight through to the five year period. The two year break was a let out clause for the University for either non-performance or problems with a contract or we wanted to vastly review the

scope of works. But in a normal expectation of a contract if they were performing well it would be the Line Manager's with a nod to me, I don't even remember doing too many of those 'cause of them would go through with their five years, 'cause most of the contracts were performing pretty well.

Was your signature something that was required - - -?---No.

- - - to extend that two years?---No.

10

And it wasn't something that you would typically be consulted about?---Not consulted, informed maybe that we were going for an extension and I'd say, look that's fine, I think they're performing well or they're not performing well or other issues. I would probably know whether they'd be issues with a particular contract and they've said no problems with going for the five years.

I want to ask you some questions about Quad Services, the cleaning contractor from 2005 until 2011?---Yes.

20

Were you aware during your time as Director of FMS that Mr McCallum was taken out to lunch by Quad Services on a regular basis?---No. The word taken out is one that I might just clarify. I was aware that Col McCallum and Bill Turner went to lunch at the St Kilda Hotel on Fridays. I was not aware that Quad/Bill Turner was paying for those lunches.

Do you know Ms Dobrilla Cutler of Quad Services?---I do.

30  
Were you aware that Mr McCallum was taken out to lunch by Ms Cutler?  
---No, I did not.

So far as you were aware Mr McCallum – I'll withdraw that. You had no knowledge of any occasion on which Mr McCallum was taken out by Ms Cutler. Is that right?---Not within her monthly visits to the campus, no.

Were you aware that Quad Services from time to time provided FMS with cartons of beer for Friday afternoon drinks?---From time to time, yes I saw Bill Turner walk through the office with a carton of beer.

40  
And was that something that you considered appropriate or inappropriate as Director of FMS?---I had no particular view because the time that I saw him walk through the office were very infrequent. And if he did walk through the office with a carton of beer he would probably stay for that afternoon drinks as well.

So he would stay but so far as you could see FMS staff were drinking beer provided by Mr Turner. Correct?---On those odd occasions that he turned up, yes.

Provided and paid for by Mr Turner?---Yes.

And did you assume that in fact it was ultimately being paid for by Quad Services?---I presumed that.

10 And was that something that you considered appropriate or inappropriate as Director of FMS?---Look I was not aware of the circumstances or why Mr Turner would turn up in the office with a carton of beer. The University, we would be very project focused. If we'd helped out Quad Services for an event, lent them equipment, done a service for them, whatever, it may be reciprocated in a carton of beer. Because the infrequent times that I saw Mr Turner arrive in the office with a carton of beer, I did not think it strange.

Did you know that from time to time other contractors provided cartons of beer for FMS Friday afternoon drinks?---Yes, I was aware SNP did occasionally as well.

20 And do I take it from your previous answer that you didn't think that was strange or inappropriate?---Given the infrequent nature of it, no.

The Commission's heard evidence that Mr McCallum was taken out to lunch at Quad Services expense by Ms Cutler and on occasions Mr Turner as well on a regular basis, approximately monthly. I'd like you to assume for a moment that's correct?---Mmm.

30 How is it that that was able to occur whilst you were Director of FMS without your knowledge?---Look I did not know that they were going on that regular basis for lunch. I would not have known unless I was informed that they were leaving the office to go to lunch. They turned up on site, they would conduct inspections around the campus, Dobrilla would interview her own staff on various issues or whatever. They would come up and do the review of the months cleaning inspections with Col in a meeting which I often saw them at. Whether I was in the office when they left, I don't know the details of that, but I was not aware that that was a regular ongoing event.

40 Is it something that you think you should have been aware of?---It's a relatively small office, but my job, I was in and out of the office all day and somewhat remote from the main administration area of the University. And I would be away either, I just wasn't in the office eight, nine hours a day. It was just, I just wasn't there for that.

Is it something that you think Mr McCallum should have told you about?  
---Yes.

And why do you think Mr McCallum should have thought to tell you about it?---Because it could be perceived as a conflict of interest I suspect or giving favours or receiving favours on a regular basis.

Do you think Mr McCallum knew at the time that it could be perceived as giving rise to a conflict of interest?---(NO AUDIBLE REPLY)

MR HARRIS: Commissioner, I think that might be a difficult question as to what Mr McCallum might have been thinking.

ASSISTANT COMMISSIONER: Yes, I do agree. I think it might be difficult for him to say.

10

MS WILLIAMS: Well, I'll phrase it differently. You hadn't, you gave evidence earlier to the effect that you hadn't reinforced with FMS staff the principles of the Code of Conduct or the Gifts and Benefits Policy. Is that a fair summary of your evidence earlier?---Yes.

20

Why then do you expect that Mr McCallum should have known to tell you that there may be a perceived conflict of interest because he was going out for lunch with Quad Services on a regular basis?---Because I'm aware that Mr McCallum was aware of the conflict of interest because we'd filled one out and he was aware of that document.

The document relating to the employment of his daughter?---Mmm.

And I want you to assume for a moment that that arose for the first time in February 2008?---Mmm.

30

You don't have any basis, do you, to think that Mr McCallum understood the concept of a perceived conflict of interest prior to that time?---I think Mr McCallum is smart enough to know that there would have been a conflict of interest.

Just going back to the Friday night, sorry, Friday afternoon drinks for a moment. Who, I withdraw that. Did FMS staff typically have a drink in the office on a Friday afternoon before February 2005 when Quad Services started- -?---Yes.

40

- - -the cleaning? And so before February 2005, who provided the beers for those drinks on those occasions?---Look, I actually started the drinks on a Friday afternoon when I arrived at the University.

Ah hmm?---I arrived as an external consultant with a chance to, a mandate to restructure the organisation. I arrived with a deputy director and myself. It was a very tense situation, essentially I had to work through the then line managers and UNE policies to do the restructuring.

Ah hmm?---I instigated the, and paid for at the time, a carton of beer as a breaker of the atmosphere to gain the confidence of those staff and to get them online that says we need to restructure. That went on for a number of

years while I worked for a private company. I left that company and joined the University through an open advertisement and I continued that process and we opened up a University account to pay for that alcohol.

And did there come a point in time when finance at the University raised queries about the payment by the University- - -?---Yes.

- - -for the alcohol?---Yes, they did.

10 And when was that roughly?---Oh, it would be prior to 2007. I, look, I, I can't give you a time.

And was, didn't you, at about that point in time, initiate the provision of beer for Friday afternoon drinks by contractors so that the university didn't have to pay?---No, not at all.

20 So you have no understanding about how it came to be that contractors were providing beer for Friday afternoon drinks?---I was aware that some contractors on an infrequent basis would arrive in the office with a carton of beer. I had assumed and up until relatively recently assumed that we had accounts at either various places that sold alcohol, and there's a number across town, that we, the University, opened and we would purchase the beer from there.

So you assume that although the contractor was delivering it, the University would be paying for it?---No, and on those particular instances where the contractor turned up, I'd assumed that they'd paid for it.

30 I see?---But in a normal situation I assume that our own accounts at the liquor establishments were purchasing the beer.

FMS staff had a practice of going out to lunch on Melbourne Cup Day. Is that correct?---Apparently.

40 Was that something you didn't know at the time was happening?---Not at all. I was aware a number of a staff took the day off, the whole day off as rec leave and were not there for the Melbourne Cup Day. I had no knowledge at all that a Melbourne Cup Day event, paid for by a contractor, as underway at the St Kilda, I presume.

Mr Quinlan, the, excuse me. I want to suggest to you that the occasions on which Quad Services provided beer for Friday afternoon drinks were not so infrequent but were approximately monthly. Do you agree with that?  
---No. As I said, I would only know if essentially Bill Turner would walk through the office.

Could Mr Quinlan be shown volume 4, please, or Exhibit 4 at page 75. Mr Quinlan, I'll ask you just to take a moment to read page 75 and also page 77?---Yes.

Do you recall signing that letter at page 77 extending Quad Services' contract for a further two-year period from February 2008 onwards?  
---Not particularly.

10 Do you recall giving any consideration to the pricing for that further two-year period as set out in a letter at page 77?---No. I would have assumed that Col McCallum would have drafted that letter and I would be relying on him to say that they were percentage increases in accordance with the contracts.

Do you recall being taken out to dinner by Mr Andrew Yardley and Ms Cutler from Quad Services, together with Mr McCallum, in early February 2008?---Yes, I do.

20 What was the occasion for that dinner?---Mr Yardley was an infrequent visitor to Armidale. I think he holds the position of CEO of that contract, I could be corrected there. I took the view that if a CEO or equivalent to the time and effort to visit Armidale that I would normally meet with them, because they have taken time, effort and money to get to Armidale, and it was useful for me to get to know those people because if the contract had problems, real problems that could not be solved either by Col or Dobrilla on the ground, then he would be the first person I'd call and say, we have a problem.

30 The cleaning contract didn't have any problems as at February 2008, did it?  
---No.

And did you meet with Mr Yardley at FMS office or did you just go out to dinner with him and Ms Cutler on that occasion?---Could you just re-state the date of the dinner?

40 I'm suggesting to you that the date was 5 February, 2005, sorry, 2008, and the dinner occurred at a restaurant known as Archie's On The Park?---Yes, that's right. Well, I would have been in the chief operating office position at the time and my office was down in Bullamimba, the executive area for the University- - -

May I just stop you there for a moment. 5 February, 2008. Would you have been- - -?---Oh, yes.

You would have been the director of FMS at that time?---Yes, I would. I'm sorry, I'll take, yes, I retract that.

That's all right?---Yep.

Having clarified the date and the location, Archie's On The Park, do you recall the particular dinner in question?---Yes, I do.

What was discussed at the dinner?---Look, I would have taken the opportunity to discuss with Andrew Yardley the capital plan, new buildings, new extensions, any opportunities to use contract cleaning which was a topic of discussion around the University at the time, and any initiatives that we might have or they might have and the usual social chit-chat.

10

And is there any reason why that discussion couldn't occur in your office at the University?---As I mentioned, Andrew was an infrequent visitor to my office. If - they'd met with Col and Dobrilla earlier on, he'd met with his staff as he has mentioned, I was particularly busy at that stage because we'd lost a deputy director and we'd had to redistribute the work. If Col turned up in my office and said, look, can you have a meeting this afternoon, unless you're in my diary the answer would have been no.

20

All right. So by that answer are you speculating, are you, that there was no meeting fixed in your diary and therefore the only time you could meet with him was at dinner?---I don't remember any date being fixed in my diary for a meeting with Andrew.

It was an expensive dinner wasn't it?---It was. I, I presume that by the way because I've heard the price.

\$848?---Yes.

30

Much more than \$100?---It was.

There are certainly places in Armidale where you can go for an expensive dinner, correct?---Yes, but that was not the expectation when I arrived at that restaurant. That restaurant is at a hotel that's adjacent to the airport. Andrew had flown in, it has easy access to the University. A lot of our consultants' people stay there. I know the menu well, I've been there many occasions on private functions and public functions and what I did not know was that they had a private and reserve wine list and that Andrew Yardley started ordering wines from that wine list. Now, that was a surprise to me because I know the menu itself is unremarkable.

40

Do you accept that going out to dinner with a contractor can give rise to a perception in others that you might in some way favour that contractor when working in your official capacity at the University?---I thought working in my official capacity at the University would be advanced by knowing the CEO of a company who had taken the time to come up to Armidale.

ASSISTANT COMMISSIONER: That doesn't answer the question in any way. Do you understand the question?---Well, can I hear it again, thank you?

Could you ask the question again, please?

MS WILLIAMS: Do you accept that your going out to dinner with a contractor may lead others to perceive that you would be inclined to favour that contractor when working in your official capacity at the University?

10 ---Look, what others perceive is a difficult thing. At the time this contract was performing well. We'd already issued the extension for the two years. I didn't see any issue or decision turning up on that contract that would be influenced by me going to dinner with those people.

Was the dinner a reward in effect for the University extending the contract for the two years?---As I said I'd think it remarkable if we did not give the extension to the contract because they were performing well. We had not committee resources to renewing the tender process in terms of the specification. In fact, it was a normal process for it to happen, the  
20 extension.

Do you accept that your going out to dinner on this occasion is the very kind of thing that can create a perceived conflict of interest?---It could.

Thank you. Commissioner, is that a convenient time?

ASSISTANT COMMISSIONER: Yes. We will resume at 10 to 12.00.

30 SHORT ADJOURNMENT [11.33am]

ASSISTANT COMMISSIONER: Thank you. Please be seated. Yes, Ms Williams.

MS WILLIAMS: Mr Quinlan, I was asking you about a dinner on 5 February, 2008. You went to another dinner, didn't you, with Mr Yardley, Ms Cutler and Mr McCallum on 11 November, 2008, do you recall that?---No, I don't.

40 I want to suggest to you that on that occasion you went to dinner with those people at the Moore Park Inn. You have no recollection of that?---Look, I'm sorry, no.

Do you have any recollection of attending another dinner with - - -?---I only have a recollection of attending the one dinner because it was exceptional because of that issue of buying the expensive wine.



I want to suggest to you that there was a second dinner on 11 November, 2008 which also involved expensive wine?---No, look, I've only got recollection of one dinner with the expensive wine.

All right. So that I understand your answer properly do you deny attending a second dinner or you simply say you have no recollection of attending a second dinner?---Look, I've got no recollection of me attending that dinner, a second dinner.

10 Were there other occasions on which you dined with contractors engaged by the University in your capacity as director of FMS?---Yes.

And how frequently did that occur?---Infrequently. I'd only go out if a, a CEO or area manager would turn up. It was an infrequent event for me.

ASSISTANT COMMISSIONER: And on that occasion they paid for your dinner?---Yes, they did.

20 In general terms do you see the issue that some people might have with a contractor paying for your dinner when you're in a situation, however you look at it, you and other people at the University are in a situation where you can, you can favour them? You can extend their contract, you can approve variations to the contract that favour them, you understand the general principle?---I understand the perception but I would have, in terms of those two issues you raise, variations and extension of contract, I was not involved in a lot of those day to day issues. As I said I would probably only go out to a dinner like that if a senior management, manager, of that company would come up and yes, I can still see that there could be a perception in other people's eyes, I agree.

30 Well, certainly other contractors who were unsuccessful, if they knew that you were having relatively expensive dinners paid for by successful contractors you can see, can't you, they might think - - -?---Yes.

40 - - - oh, that's what I need to do, I need to take him out to some expensive dinner if I want to get the contract, that could be the perception, couldn't it, whether it's true or not?---That could be a perception but I'd be unlikely to go out with a contractor who had just turned up on my door and said look, I want some work at the University, I'll take you to dinner. That would not have happened.

Well, that probably doesn't help them in their thinking. You know, they'd be thinking well, how do I get my foot in the door, then I can take him out to dinner. You know, you can see the problem now, can't you, that - - -? ---Look, I can but how they get their foot in the door would be essentially the lowest price tender on - - -

Yes?--- - - - a tender.

Yes. But then once somebody's got the tender and there's the contractor, there's always the future to think of, isn't it? They want to keep the contract, don't they?---They do.

That's just business?---And you re-tender at the scheduled times, yes.

10 Yes, or they get an extension of their option?---Yes, I agree. The extension was - look, unless the contract was falling apart the extension was always there because there's just so much work in putting together a tender.

Yes, I understand what you say about that but whether they're doing a good job or not - - -?---Yes, I understand.

- - - or whether it was automatically going to be extended or not, you can understand the perception might be - - -?---Yes, I can.

20 - - - oh, he, you know, there's the expensive dinner either in advance of or as a reward for the extension, that could be the perception of somebody - - - ?  
---It could be a perception, yes.

- - - out in the community?---Yes.

Or indeed somebody at the University who knew about it?---Yes.

Yes. Yes, Ms Williams.

30 MS WILLIAMS: Mr Quinlan, the day to day decisions such as contract variations that you told the Commission you weren't making, Mr McCallum was making those decisions, wasn't he?---He was.

And he went to the dinner with you on 5 February, 2008 with the Quad Services people, correct?---The one that I remember?

Yes?---Yes, he did.

40 And so you knew that the perception that the Commission has been asking you about could arise not just in relation to yourself but to Mr McCallum, correct?---I agree.

And was that of any concern to you as Director of FMS that such a perception might arise in relation to your Campus Services Manager?---Yes, it would have been.

Was it of concern to you at the time that you attended the dinner?---I attended the dinner to meet Mr Yardley in particular.

Well, you're not answering my question. At that time - - -?---Look, it wouldn't - - -

- - - did you have a concern in your mind about how others would perceive Mr McCallum's attendance at that same dinner?---No.

If you had known at that time that Mr McCallum was not only attending that dinner but had also attended lunches approximately monthly paid for by Quad Services would you have been concerned about a perceived conflict of  
10 interest affecting Mr McCallum?---Yes.

The Commission has heard evidence that Mr McCallum entered into an arrangement with Quad Services in late 2006 and early 2007 whereby the University would invoice Quad for costs relating to a cleaning van that the University had leased and that Quad was using?---Yes.

And Quad in turn would invoice those same amounts back to the University plus five per cent but the invoices would falsely describe the charges as  
20 being for external cleaning. I want you to assume for a moment that that arrangement was entered into and was carried out. Were you aware of any such arrangement during the period – from January 2007 until you stopped being the Director of Facilities Management Services?---Not at all.

If as I've asked you to assume, the arrangement was carried out that means doesn't it that Mr McCallum was signing for approval false invoices. Correct?---Yes.

And is it the case that he would have been able to do that without it coming to your attention because it would have been covered the by contingency  
30 allowed for cleaning services?---From what I've heard he camouflaged it within the external clean section of the contract. Essentially we had curtailed external cleaning and I presume it was within that area of the budgetary allocation. But I'll, I'll have to make that assumption.

If a Line Manager was signing false invoices for approval is there any way, given the processes and procedures in place at FMS that that would be likely to come to your attention as Director of FMS?---In a normal course of work  
40 no. Like I said most of those invoices would have been signed off by lower level staff because they would have been directly involved in that work. But if the invoices came directly to the Line Manager without that first line of signature they could do that, yes.

Is it fair to say then that you relied heavily on the honesty of your Line Managers?---I relied heavily on my Line Managers and Deputy Directors to fulfil a professional task of administering those contracts, yes.

And you relied on them to do so honestly?---Yes.

And to exercise the discretions that they had in relation to various decisions to be made under the contract - - - ?---Yes.

- - - in the best interests of the University?---I did.

The question of honesty and ethical conduct in accordance with the Code of Conduct wasn't something raised expressly by you with your Line Managers. Is that the effect of your evidence given this morning?---Two parts there. I trusted my Line Managers to act in a professional manner.  
10 And you're right on the second part, the Code of Conduct I would not have raised as a matter of course in a conversation.

I want to ask you some questions now about Sydney Night Patrol or SNP who provided security and mail services at the University?---Yes. Yes.

I want to suggest to you that the security contract commenced in about November 2005. Do you recall that timing?---I remember awarding, well SNP being awarded that contract in the original days, yes.

20 Did you go out to lunch with Mr McCallum and personnel from SNP on the occasion that the contract was signed in November 2005?---Look I well could have. I don't particularly recall the time or the incident, but yes, I could have.

Is that the sort of thing you would do on occasions go out to lunch with contractors after a contract had been signed?---On that particular one because of the process the contractor before it had, it caused us a great deal of grief and I was looking forward to SNP providing a professional service given the size and the processes, procedures they had. So yes, I could well  
30 have gone out for lunch.

And going out to lunch with a contractor after a contract is signed was that something that you did on other occasions whilst Director of FMS?---Not as a matter of course, no.

Is it something that you can recall doing on any other occasions?---Not directly, no.

40 Do you recall that in about 2007 in about February of that year the University decided to contract out its mail services?---I do.

And a request for expressions of interest was issued. Do you recall that? ---Yes, I do.

That was issued to selected companies. Correct?---Yes.

Did you have an involvement in deciding which company should be invited to submit an expression of interest?---Look I located one company who had

already won a contract for the University of New South Wales and I made inquiries about who that contractor was. And we contacted them would they be interested in going for an expression of interest. The others, Australia Post was an obvious one, which we contacted of course. SNP as you're aware put their hand up as well. And there was a number of other local contractors whom we thought had the labour capability to provide the service.

10 Why was SNP included on the list? Simply because they put their hand up?---They expressed an interest in the contract so I suspect so, we were having trouble, it's a very specialist field, like I could only find one other specialist mail company and in the end they did not tender the process. So we were struggling to get a competitive field.

20 So you were looking for a competitive field of specialist mail service providers?---No. The mail service is not a particularly high tech service. It's dominated by the fact that it has labour costs involved. I was concerned by the fact that our mail contract was collapsing and in terms of volumes, we would be at risk of discounts from Australia Post and these fallen volumes would expose me to having four permanent staff who might be trapped with inadequate work to fulfil. And given their level engagement with universities, relatively low level staff, level 3 and 4 I think, it would be very hard to find any other within the University for that level staff. So the issue for me was to find a flexible method of labour that could rise and fall and we expect it to fall and a continuing fall on our mail volumes because of technology.

30 You referred to the mail services as being a specialist field, what did you mean by that?---There are companies in larger institutions that could scan the mail and send all mail electronically around to a University. We were not looking for that service. We were simply looking for a relatively low tech because of, no one sends a memo in paper format these days. All our distance education materials used to be in paper form. It went to CDs and DVDs and now it's on the internet. So essentially those volumes have fallen off, so it becomes a labour service for us. We were not looking to do the high tech scanning, although having (not transcribable) experience in mail delivery would have been nice, but - - -

40 Why was SNP included on the list when it had no experience in mail services?---Look I actually agreed with Col in his previous evidence that they would have an intimate knowledge of the campus because of their patrols. They knew the building names. It's not an easy environment to get around. And we weren't looking for a very high skilled company to perform that task.

Why not publicly advertise the work you were looking to contract out as opposed to deciding behind closed doors who should receive an invitation?

---Because we had a policy, as I've mentioned, well we had a, a process ongoing of having select tenders. We would do our homework and who would be willing to participate in that tender. And we would ring around and field inquiries from a variety of fields although the mail contract was one of the more difficult ones, I grant you, in terms of getting some (not transcribable) some companies who would want to tender for that process.

10 Just explain for the Commissioner why, what were the reasons for the policy of having select or closed tenders?---Look, we could have gone for an open tender situation, EOI and processed it like that, we would be either ignored because we're regional New South Wales or overrun because the economy's depressed. Most companies would fail to realise where Armidale was, most companies in that open field would not be experienced at work within a university environment and it is, there are restrictions on university environments, so we always look for companies who had experience in the tertiary education sector and they became overriding considerations. So we used to do our homework on recommendations from other universities, our own experience and if a company put in a expression of interest to do work we'd do some reference checks and say, well, what's your experience in this field.

20

In relation to the mail services, the University received four expressions of interest. Do you recall that?---I thought it was more than that but you could be correct, yes.

And is it the case that only two of those- -?---Yes.

- - -SNP and Australia Post, were seriously under consideration during the expression of interest phase – is that correct?---As I remember it, yes.

30

Mr McCallum travelled to Newcastle towards the end of March 2007 to negotiate with both Australia Post and SNP in relation to their expressions of interest. Do you recall that?---Yes. Their office locations was, were located in Newcastle.

You were aware at the time of the trip that Mr McCallum- -?---Yes, I was.

- - -was going down there?---Yes, I was.

40 And what was the purpose of those negotiations as you understood it at the time?---Look, I thought we were going to reduce the scope of works. We'd had an excessive or in excess of our expected budgetary requirement for that service and we had to reduce it down to at least make some savings. The issue would have been that I would have been the one who would fund redundancies and we would need to make savings against a contract and have money within our own, across our own budget expenditure to fund those redundancies. The University generally did not have a policy of

having a fund of money for redundancies so it was up to me to find that money and we decided the scope of works was too expensive.

10 And why was Mr McCallum sent to discuss the reduced scope of works with the contractors as opposed to the University simply issuing a document explaining how the scope was to be reduced?---I don't know. I can't answer that. It was suggested to me that it would be easy, they were both in Newcastle, it would be easy for Col to go down to Newcastle and to negotiate that. The mailroom group as they were then reported to Col as part of the campus services contingent within the budget.

You said it was suggested to you – was it Mr McCallum who made that suggestion to you?---Yes.

20 Did Mr McCallum give you a detailed report back on the outcome of his discussions when he returned?---Look, I can't recall whether he did or not. We obviously must have sat down and reviewed the reduced prices from both Australia Post, which I remember now or I've heard that did not reduce, and SNP who did reduce by a considerable sum.

Mr McCallum carried out a formal assessment, did he not, and recommended that approval be given to invite tenders from SNP and Australia Post?---Col and I think the mailroom supervisor was also involved in that.

30 Did the mailroom supervisor have any prior experience in tender processes? ---No, but he would have had experience in schedule rates, volumes of post, expectations of what's it going to go down to, because he'd been there quite a few years and had seen a decline happen.

And a request for tender was then issued to those two companies, Australia Post and SNP. Is that correct?---Yes, must have been, yep.

And I want to suggest to you that that was in about April 2007?---Okay.

The Commission has heard evidence that Mr McCallum attended a races and rugby day hosted by SNP in May 2007 before the tender process had been concluded. Were you aware of that occurring at the time?---Not at all.

40 Do you recall Mr McCallum telling you that he had received an invitation to attend that event?---I recall he sent me an email saying he'd got an invitation to that event and he'd declined it, and I took that as it was.

The Commission has heard evidence that he did initially decline it and he subsequently accepted and went along. Is that something you were not aware of at the time?---I've heard that as well.

And you were not aware of that at the time?---Not at all.

If you had found out about that in May 2007, found out that he'd gone to the event, what action would you have taken if any?---I would have collapsed the tender and go back to square one.

Would you have taken any action in relation to Mr McCallum?---Yes.

10 What would you have done?---Essentially given that it was a lie to me in writing that he was not going to attend that function, then I would have, a disciplinary charge would have been considered.

Mr McCallum and the mailroom supervisor were FMS's Tender Assessment Committee for the mail services tender. Is that correct?---It would have been, yes.

And Mr McCallum, as the line manager responsible, wrote the report. Is that correct?---It is.

20 You were aware, I take it from your previous evidence, that SNP had no mailroom experience. Is that right?---Yes.

The report once signed by Mr McCallum and signed by you as approving the recommendation goes to the chief operating officer. Is that correct? ---It would have at the time, yes.

So far as you're aware would the chief operating officer have been aware that SNP had no mail experience?---I can, well, he didn't ask the question. I don't remember any inquiry from him concerning that issue.

30 It's something that isn't expressly referred to in the tender assessment report. Was it something that you thought it desirable or necessary to conceal from the chief operating officer?---Good grief, no, no.

I'm sorry? No?---No. It's not a very high tech process of mail delivery arriving from an Australia Post van, putting it into various bags with the building names across them and then taking those various bags in a van and delivering them to set points at reception areas across the campus.

40 Were you aware at the time that one of the benefits that SNP claimed would arise from engaging it to perform the mail services was its ability to use resources that were already onsite for security for the purpose of the mail services contract?---Yes, I was.

And one of those resources was a seven-seater van?---It was.

Are you aware of that?---Yes, I was.



And the proposal was that the van would be used to deliver mail during the day around the University campuses and would be used at night to provide the nightride service for students?---It was. And during the day the staff who rode in that van would be licensed security guards.

The Commission has heard evidence that from the outset of the mail services contract which commenced in July 2007, SNP had an additional vehicle onsite which was used for security services during the day. Were you aware of that additional vehicle- -?---Yes.

10

- - -a Toyota Yaris, being brought onto site?---No, I was aware of it.

And what was your understanding about who was paying for that vehicle at the time?---My understanding was SNP had put that vehicle there of their own volition.

And at their own cost?---At their own cost.

The Commission has heard evidence that Mr McCallum made an arrangement with Mr McLean at SNP that SNP could charge for that vehicle but should describe the charges on their invoices as alarm service work. Have you heard that evidence?---I've heard that evidence.

20

Were you aware of that arrangement at the time, that is in July 2007?---Not at all.

Were you aware of that arrangement at any time between July 2007 and October 2008 when you ceased being the director of Facilities Management Services?---Not at all.

30

And do you have any understanding about how the cost which I'll ask you to assume amounted to \$897 a month was covered in the budget?---Look, I presumed that SNP had made a decision that the campus needed an extra car. I saw no request to myself about the provision of that car and I'd assume SNP would cover the cost of that car themselves.

Is the additional car something about which there should in the ordinary course have been a request for approval to you?---If they, if SNP considered that the University should be paying it they should have made a request to me or to Col.

40

If they had made a request to Col, that is Mr McCallum, is it something that he had the authority to approve within the contingency under the security or mail services budget?---Look, it probably would have been in the contingency of those budgets. I forget the dollar values concerned within those contracts but I presume it would have been in that contingency but I would have thought it easier to issue a variation and convince me of the

issue of why we needed it and the University to amend the contract appropriately as opposed to apparently what happened.

Because if one had taken that course then the contingency would be saved for other unforeseen events - - -?---That's right.

- - - during the course of the contract?---Yes.

10 And if in July 2007, at the same time as SNP started performing the mail services, a request for a variation to allow an additional vehicle had been made to you, would you have approved that?---I'd be wanting to know why I was told in the tender process there was savings with one vehicle and then within a very short period of time I'm expected to sign up for another vehicle. It'd be something that would raise to my attention and look, I'm not saying that I would not have approved it because the issue of security on a campus is important with students and we do have a large campus but I would have been very unhappy that that previous tender had been let on an assumption that had proved wrong.

20 Is it fair to say that Mr McCallum was able to approve these invoices for the additional cost falsely describing the work as alarm service work without your knowledge and without any abnormality showing up in the budgetary reports because of the contingency amounts and the discretion that Mr McCallum had in relation to the spending within that contingency?---He would have delegated authority to issue that, to spend that amount of money and he must have concealed it within the contingency amounts and maybe cut back on other events or other services we could have provided to live within those contingency amounts given that expenditure on the car.

30 Were there any audits or other random checks undertaken within FMS to, that would pick up these kinds of issues, false invoices being approved for payment?---By whom would you - - -

Well, in the first instance by FMS?---By FMS, no. We're, wouldn't, I don't think we had our financial officer in place then, I could be wrong on that, but no, not within FMS.

40 So far as you're aware were any such random checks or audits carried out by the Finance Department at the University?---Not the Finance Department, no.

By any other department or section within the University?---Ah, we - I'm trying to think whether we had a University auditor in place at that stage, I can't remember. If we did he didn't - whoever that person was did not contact checks in our office on that and the only other audits we had were the state audit process at the end of the year where they'd turn up and pick a contract and go through the process of the paperwork trail.

And would that happen every year at FMS?---Pretty - because of our span pretty much every year, yes.

And would they - you said they would pick a contract, they would pick one contract every year or would it typically be more?---They would ask for a number of contracts, whether they be capital works or cleaning they did pick once, in that area and they would have asked for all the paperwork from the inception of the tender through to management of the invoicing and the process that happened there.

10

Were you aware that Mr McCallum enjoyed hospitality provided by SNP on other occasions apart from the races and rugby day in May 2007?---Look, I was probably aware he went to lunch with Martin occasionally.

Were you aware, for example, that he went to a football match with Mr McCallum in August 2007?---No.

Were you aware that from time to time he stayed at a place called Warners on the Bay at SNP's cost?---No.

20

Were you aware that he went to another rugby and races function in June 2008?---No.

Were you aware that he attended gala dinners hosted and paid for by SNP? ---No.

Were you aware that he attended a dinner at the ASIAL conference in August 2008 at SNP's cost?---Well, I would have probably assumed he might have attended the ASIAL conference at the University's cost, whether he attended the dinner at SNP's cost I, I wouldn't know.

30

Do you recall Mr McCallum proposing a merger of the mail and security services contracts in 2008, September 2008 I think?---Yes, I do.

And what was your understanding at the time of the rationale for merging those two contracts?---Ah, look, I think it was put to me that it was ease of administration in terms of one contract to be signed off on. At the time I had no particular issues with SNP in their performance, I thought they were - from my point of view performing well and I would have agreed to it.

40

Could Mr Quinlan be shown Exhibit 6, page 225, please. Do you recall seeing that memorandum in October 2008?---Look, not particularly but I see my signature so, yes.

And you've signed that as Acting Chief Operating Officer, is that correct? ---At that stage I would have just been in the chair, yes.

All right. Is there a reason why it was signed by you in that capacity as opposed to by the person who replaced you as Director or Acting Director of FMS?---I would have assumed Ross Williams thought it appropriate that it had come to the Acting Chief Operating Officer.

Do you recall asking Mr McCallum at the time any questions about his rationale for proposing the merger of the contracts as set out in this document?---Only the way I explained it just previously in terms of ease of administration, one contract, that's about all I remember.

10

Were there any particular problems arising from administering both contracts at that time so far as you're aware?---No, I, I don't recall any. No one brought to my attention any issues with it, no.

And it gave SNP an advantage to merge the two contracts, didn't it, in that the security services contract was automatically extended to coincide with the term of the mail services contract?---Yes, it would have been.

20

Did that advantage to SNP occur to you at the time you signed the memorandum?---No, it did not occur to me at the time. I, like I said I was happy with SNP's service provision, I thought they were a professional group and it did not cross my mind that that was an additional advantage.

And when you signed this memorandum you didn't know about the hospitality that Mr McCallum had been enjoying from SNP that I've referred to earlier?---Not to the extent that you've just outlined.

30

You, you knew about the occasional lunch I think you said, is that correct? ---Yes, I did.

Is there anything else that you knew about in terms of hospitality when you signed this memorandum?---Look, I was aware SNP provided the occasional carton of beer as well.

40

If you had known that Mr McCallum had enjoyed rugby matches and accommodation and dinners of the kind that I referred to earlier, is that something that would have caused you concern when considering this recommendation by Mr McCallum to merge the two contracts?---I would have been concerned generally at the level and the extent of the hospitality shown to Colin, to Mr McCallum at the time.

Do you accept that Mr McCallum should have disclosed to you and to Ross Williams when presenting this proposal in the memorandum that he had been enjoying that hospitality from SNP?---I certainly should have been aware of it I suspect, yes.

Do you agree as you sit here now that Mr McCallum's failure to disclose that to you and to Mr Williams at the time, that is in October 2008, indicates

that Mr McCallum at that time may not have had a good understanding of what a perceived conflict of interest was?---I still say Mr McCallum would have a good idea of what a conflict of interest was.

I want to ask you some questions now about Prosys who were supplying the  
- - -?---Yes.

- - - access control services to the University?---They were, yes.

10 Those services were supplied to the University pursuant to purchase orders raised at the request of Mr McCallum from time to time. Correct?---They were.

Prosys never had to submit a formal tender or participate in a tender process. Correct?---That's correct.

20 And what were the reasons for that?---I was told on two issues, one that Prosys was, you referred to it before, a channel partner of Cardax and I was also aware that, I was told or I assumed I knew that Prosys was the only contractor available north of Newcastle. So essentially they were a sole supplier of that specialist service and authorised by Cardax to install, maintain that particular system.

And those things you referred to as having been told you were told those things by Mr McCallum were you?---Yes.

30 And did you ever query whether other channel partners might be interested in providing the work notwithstanding (not transcribable)?---Look, I remember I did complain about it. It did concern me that we had one exclusive contract. I remember Col was on the Cardax user group and essentially, well reassured me that Prosys were the only viable company available who had the authorisation to install, maintain and provide equipment for Cardax.

Did you know that Prosys were using the services of a subcontractor?---Yes on one project, yes.

And you knew that subcontractor was locally based did you?---Yes, I did.

40 Was there any reason so far as you were aware at the time that another channel partner would not be able to use that local subcontractor?---As I said I had assumed that Prosys were the only authorised channel partner north of Newcastle. If Prosys engaged Tritech was the company's name to do work for them, it'd be under their direct supervision and project control.

Where were Prosys based as far as you were aware?---Oh look the best I had was Sydney.

So they weren't located north of Newcastle?---No, but I, look I was under the impression that Todd, and I forget his surname.

Mr Anley, Todd Anley?---Yes. Was located either at Newcastle or at Coffs Harbour. And that was a convenient relatively close technician, and a skilled technician for regional New South Wales north of Newcastle.

10 And did you make some assumption did you that other channel partners would have not or would not be able to get staff based reasonably locally to carry out work for the University?---I never explored that idea and I was turned off by that idea by my experience with Trittech.

Were you aware of a proposal by Mr McCallum in about September 2008 to apply for sole supplier status for Prosys?---Look not directly, no.

20 Was it something Mr McCallum discussed or mentioned to you at the time? ---Oh look we would have discussed formalising Prosys' provision of services, but as for that particular application I've got no recollection directly.

Can you just explain to the Commissioner briefly how the awarding of a formal sole supplier status to Prosys changed the arrangements that were already in place?---Look I was not aware that they'd actually sole supplier status and so the arrangements that were in place remained in place. I don't know whether that was ever confirmed as such.

30 If they did achieve – do you accept that Mr McCallum applied for them to be awarded sole supplier status?---Look I've heard that subsequent to that time. At the time I wasn't aware that that application had been made. I know we had discussed it because I was worried about Prosys gaining all this work and we had a number of issues with Prosys, as I alluded to with the Trittech form, so I was, but I don't know whether I ever knew that they actually got the supplied status (not transcribable)

40 Is it something that you should have been – I'll withdraw that. Is the making of the application by Mr McCallum something that he should have sought your approval for before proceeding with the application?---Not necessarily because we discussed this previously. So I'm not sure that I would have added anything to that application.

In discussing it with him previously you had indicated as I understand your evidence, concerns about Prosys receiving so much work as a sole supplier?---As I indicated before, we had a number of issues with Prosys on a project where they engaged Trittech and I was not very happy with Prosys at that particular time.

You weren't happy with the quality of their work?---I was not happy with the quality of the work. I was not happy with the project control and I was not happy how they handled the work and exposed, essentially putting

Cardax on exterior doors and then leaving the doors open at night where we had to put guards on. So the issue was a very bad taste in my mouth using Trittech.

And how would those issues as to the quality of their work, how were they, how were they resolved?---Oh look, the issue of security, we had to put guards on at night. I allocated our project people to review the progress of work and the quality of the workmanship. I'd actually gone and had a look myself. I know we allocated some of our trade staff in terms of locksmiths to help Trittech install these quite complicated locks in doors. And I also got on to Col McCallum and I bluntly said, you might want to get to Prosys really quickly on this one and get it resolved in fairly blunt terms.

And so far as you're concerned did Prosys do their bit to resolve the issues?  
---Prosys sent up Todd - - -

Anley?--- - - - Anley and I think a couple of other technicians and essentially Trittech were not removed, not re-engaged on the site and between Todd and the technicians and some of my staff doing some work as well, we recovered the situation.

And did it take some time to recover the situation or did that occur reasonably promptly?---Look the initial response was relatively quick, but it was an ongoing project over a number of buildings and that would have gone on for quite some time.

Were you aware whilst you were the Director of FMS that Mr McCallum was the Executive Officer of New England Rugby Union?---Not at all. I became aware that he would have been on the board, but I was never told of a position or that he'd (not transcribable) I found that out in subsequent conversations around the town and on a rugby match.

Right. After you ceased being a Director of FMS?---Look I can't tell you that at that time.

Were you aware at any stage that as a result of his position with the NERU Mr McCallum received a monthly payment of \$600?---Not at all.

Were you aware that he received a percentage of sponsorship money that NERU received?---Not at all.

Were you aware that contractors engaged by the University, specifically Quad Services, SNP and – sorry, and SNP sponsored NERU?---No.

The Commission has heard evidence that Mr McCallum arranged for SNP to provide security guards for NERU finals matches in the years 2006, 2007 and 2008?---Yes, yes.

And that he approved invoices issued to the University for the cost of those guards. Was that something that you knew about at the time that it was happening?---I knew the SNP guards were there for the rugby matches, I did not know that the University was paying those invoices coming from that event. I simply assumed that the rugby union board, committee, would have engaged SNP separately to do that work.

10 Mr McCallum has given evidence that he considered this to be some community engagement by FMS. Was it up to Mr McCallum to decide about spending for community engagement purposes?---No, it was not.

Did FMS have a community engagement budget?---The only budget we used for community engagement was with our students – on open day we would provide some security curio things for a bag of collectables that new students would pick up, squeezey balls and T-shirts and other strange items, but that was directly for our students.

20 Did FMS from time to time sponsor community organisations by way of providing services free of charge?---Yes, we did.

And when that occurred, was that something that you as the director had to approve?---I was written to on a yearly basis by the Armidale Brass Band to supply a trailer for a float on the Autumn Festival day, which we did.

Were there any other sponsorships of a similar nature that FMS engaged in whilst you were the director?---No.

30 The Commission has also heard evidence that on occasion, on two occasions Mr McCallum arranged for cleaning services that FMS would normally invoice Sport UNE for to be waived in return for Sport UNE waiving charges that it would otherwise invoice NERU for. Have you heard that evidence?---Yes.

Were you aware of those arrangements being entered into by Mr McCallum at the time?---Not at all.

Did Mr McCallum have any authority to waive cleaning charges from FMS to Sport UNE?---Not at all.

40 Mr McCallum was appointed as the Acting Director Audit and Risk in about February 2009. Is that correct?---Yes, well, I'll assume those dates, yes.

Is it the case that you were involved in some way in suggesting Mr McCallum be considered for the position?---We'd gone through an interview process for the Director of Risk and Audit and my memory is that we failed to appoint. The Risk and Audit Committee, which I was an invitee to, were very focussed on getting essentially someone in place to, for that role particularly, but to start ramping up and rolling out a risk



management process across the University. After the failure to appoint I think myself and the director of HR came up with the suggestion that Col had had a good, did a good job in the risk management for FMS and on the University-wide committee for risk management and he might be an appropriate person to second into that position on a temporary basis while the university could go out and re-advertise, re-search for a permanent person.

10 And just describe briefly if you can what work Mr McCallum had done in managing risk at FMS?---The University essentially had a failed, well, I think failed process of rolling out risk management processes across the University. We had a University-wide system where we had to log our directorate risks, our risks with the infrastructure and service contracts onto that system. They had a series of meetings University-wide with these risk coordinators and each risk coordinator would be charged with inserting and managing the risk profile from each directorate onto the software system and then those risk coordinators met to resolve issues that turned up and there were many issues that turned up in terms of listing multiple risks of the same type on the system. So it wasn't a good process. But Col had  
20 done a good job in getting our risks onto that system and had made a positive contribution in my mind to that risk coordination committee.

And had Mr McCallum, apart from putting the risks on the system, done anything to manage the risks?---We were aware that we had to put statement on the risk register of how we managed the risks and we were prompted by Col to say, well, hey, we've got a contract for that, do we follow Australian standards, do we withdraw from that service if we can't think of anything else to manage a particular risk. And of course the big one was escalation, if we couldn't manage the risk, where would you escalate it to and how  
30 would you escalate it, which was a flaw in that particular system anyway.

Right. So in terms of managing risks, Mr McCallum had made suggestions about the information concerning risk management that you would put onto the system. Correct?---Yes.

Had Mr McCallum done, done anything in terms of the way FMS was operating its processes and procedures to manage or reduce risks that were identified on the system?---Look, I think we used to have a process of reviews, the distributed authority system, they have a coordination group which sent out we need to do a review or there's a problem with too many risks of the same nature on the system, which was a common issue, and they debated ways of how do we escalate risks to the appropriate authority within the University.

- 10 Was one of the risks put on the system the risk of corruption affecting FMS tender processes?---I wouldn't have thought so, no.

Do you know what risks were put on the system?---I reviewed all risks and there was an awful lot of them, a couple of times, yes.

Was one of the risks managers being entertained by contractors and being inclined or being seen to be inclined to favour those contractors?---I don't remember that risk being lodged, no.

- 20 Was anything done to manage risk within FMS other than to coordinate the way in which the information was going to be put on the University's system?---Oh, look, we had log on the system and had a reporting line, we had to go and report a series of risks I think to each area to the Risk and Audit Committee and we must have consolidated those risks and put up our, we were asked a number of times to provide our ten highest risks from each area and why and what had we done to manage those issues.

- 30 And my question is really directed at that last element, what had been done to manage the issues other than providing reports and information to committees and systems?---Very little in the end.

Commissioner, I have no further questions for Mr Quinlan.

ASSISTANT COMMISSIONER: Thank you, Ms Williams. Does anyone else seek to question this witness?

MR NEIL: We would wish to do so.

- 40 ASSISTANT COMMISSIONER: Yes, Mr Neil. Yes, do you want to come forward.

MR NEIL: I represent the University of New England. I want to ask you some questions first about the period that immediately preceded your appointment as the Director of Infrastructure?---Yes.

Now, during that period the University's information technology systems were beset by repeated failures and malfunctions. Is that correct?---There was a failed implementation process on the wireless system, yes.

And those failures and malfunctions affected, seriously affected the operation of the University's information technology systems. Is that correct?---It seriously affected the whole university.

Now, it seriously affected the whole University because the smooth operation of the information technology systems was essential to the University's work, particularly in relation to distant education. Is that correct?---It affected most of our enterprise systems, yes, at varying times and for varying period.

10

Now, in the period I'm asking you about, the period preceding your appointment as Director of Infrastructure- - -?---Yes.

- - -there had been an external review of the University's information technology systems, hadn't there?---Yes. I engaged- - -

One of the- - -?---I engaged PriceWaterhouse to do that review.

20

But one of the recommendations of that review was that a position be created to report directly to the Vice-Chancellor with responsibility for implementing changes to the University's information technology systems that were designed to deal with the repeated failures and malfunctions, is that correct?---No. The recommendation as I remember it was for a chief information officer to report directly to the Vice-Chancellor. That chief information officer would not only have responsibility for projects but ongoing operations and ongoing developments within the IT environment at the University.

30

But the projects and the developments were, so far as you can recall the recommendation, related directly to the operation of the University's information technology systems, is that correct?---The chief information officer, if that person was appointed, would have been responsible for that, yes.

Now, so far as you're aware that, that person was never appointed, indeed, the position was never created?---That's right.

Is that correct?---The Vice-Chancellor rejected that recommendation.

40

And you're aware, are you not, that the principal reason for the rejection of that recommendation was that funds could not be found for such a position? ---No. I think the principal reason was that for such a small university it didn't warrant it. It's normally a position located in very large institutions. We're one of the smallest in the country. Look, I'm not here to tell you what the VC was thinking but it was a recommendation and it was not enacted on.

Now, at that time among the University's existing employees you had had experience in managing the University's information technology system, had you not?---In terms of my position as the Chief Operating Officer, the then Director of IT reported to me.

10 And you had been involved in, in commissioning and working with the external review into the operation of the University's information and technology system?---I engaged PriceWaterhouse to conduct an external review of what went wrong, recommendations to correct what went wrong and to give recommendations on structure and future developments and themes for the IT area.

At a senior managerial level no, no one within the University's, among the University's existing staff had the same degree of experience with the University's information technology systems than you did, is that right? ---No, I can tell you right now that I'm not a technologist. I would have relied on the existing Director of IT to be the technologist in that, and he would be advising me along with his technical staff on what was happening, what was failing and in the end that did not come together. The Director of  
20 IT resigned and we instigated a temporary head over there and got an external review happening.

Yes. Now, with the Director of IT gone, upon that person's resignation, within the University's existing staff at a senior managerial level no one had the, the same degree of familiarity with the University's information and technology systems as you did. Isn't that right?---You're talking to a person who can find the on/off switch and work Word and Excel.

30 Well, what's the answer to my question? Is it yes or no?---I don't know. I don't know what you're asking me to say there.

It's either yes, no or I don't know, all right?---Well, I'd ask you to rephrase the question again.

40 All right. So far as you're aware at the time immediately prior to your appointment as Director of Infrastructure no one within the University's senior managerial staff had the same degree of familiarity with the University's information and technology systems as you did, yes, no or I don't know. What's the answer?---Look, yes, I would have.

Very well?---Because I was aware of the faults and the failings within the system.

When you were appointed as Director of Infrastructure - - -?---Mmm.

- - - one of your principal responsibilities was to implement the reforms that had been recommended for the University's information and technology system, is that right?---Yes.

Very well. Now I want to focus on the period when you held office as Director of FMS and my questions hereafter until I say so will concentrate on that period. Do you understand?---Mmm.

Now, during that period, as I understand your evidence, please correct me if I am wrong, you were aware of the existence of the Code of Conduct and of the Gifts and Benefits Policy and the Conflicts of Interest Policy, is that correct?---I aware of the Conflict of Interest Policy, I was looking back  
10 partially aware of the Code of Conduct and I was aware of the Gifts Policy generally.

Yes. All right. So you were aware at that time of the existence of the Code of Conduct, correct?---Yeah, right, yes.

You were aware of the existence of the Gifts and Benefits Policy, correct?  
---Yes.

You were aware of the existence of the Conflicts of Interest Policy, correct?  
20 ---Mmm.

Correct?---Yes.

Now, so far as the Code of Conduct is concerned, but for the discrimination aspects of the Code you did not have a good working knowledge of the contents of the Code, do you agree?---On a day to day, basis. I would have to have looked it up if someone asked me a question.

All right. So you agree with the proposition I put to you, is that right?  
30 ---Yes.

So far as the Gifts and Benefits Policy is concerned, at the time when you held office at the Director of FMS you did not have a good working knowledge of the contents of that policy, is that right?---You're correct.

You don't agree?---No, I agree.

And so far - turning then to the Conflicts of Interest Policy at the time when you held office as a Director of FMS you did not have a good working  
40 knowledge of the contents of that policy, is that right?---Look, I could not quote chapter and verse. If I needed to know I would have gone and looked it up again.

All right. Just as a matter of interest, how would you have needed - known whether you needed to know?---I suppose the very blindingly obvious conflicts of interest as we've discussed in this Commission, the engagement of a daughter within a company that we would manager, close relatives were an issue within the University structure and we had policy and that created

conflicts of interests as well so in general terms I was aware of those issues, yes.

Now, if I also understand your evidence correctly, and again, please correct me if I'm not wrong, not right in any particular, you relied on your line managers to know of the existence and the contents of the Code of Conduct, the Gifts and Benefits Policy and the Conflicts of Interest Policy, is that correct?---All of my line managers would have know that the policies were on the Intranet and were freely available if and when they needed to look them up.

Very well. And what's the answer to the question I just asked you?---They, look, I can't tell you. They would have been aware of the conflict of interest, I can't tell you whether they were intimately aware of the Code of Conduct or the Gifts Policy.

Mr Quinlan, if you don't understand anything, an aspect of any question I ask of you please let me know. I'll ask it again. When you held office as the director of FMS you relied on your line managers to know of the existence and contents of the Code of Conduct, the Gifts and Benefits Policy and the Conflicts of Interest Policy?---Yes.

Is that correct?---Of all senior managers I expect that.

All right. Is there any - I withdraw that. Was there any basis on which at that time you expected them to be any more assiduous in acquiring knowledge of the contents of the Code of Conduct and the two policies I've been asking you about than you had been yourself?---No.

30 ASSISTANT COMMISSIONER: I think that's a little bit argumentative, Mr Neil. I think that may speak for itself.

MR NEIL: Now, compliance with the Code of Conduct was as you knew it at the time a requirement of the positions of each of the line managers who reported to you. Is that correct?---I presume so.

Just as it was a requirement, a requirement of your position?---Yes.

40 And it was your responsibility to ensure that each of your line managers complied with the requirements of their positions, is that right?---Yes, it would have been.

You were responsible in that respect to the Chief Operating Officer in the first instance and ultimately to the University, is that right?---That's correct.

Now I wonder if I could turn to the period immediately, now turn to the period immediately after you held office as the Director of FMS. You left that position and went to position of Acting Chief Operating Officer. Is that

correct?---I was asked to fill into that position for an immediate three months.

Ultimately you came to fill that position for a period of about 22 months. Is that right?---That's correct. It was various circumstances that created that duration, but yes.

10 Now in that position, the position of Acting Chief Operating Officer your successor as Director of FMS reported to you. Is that right?---That's right.

You also had responsibility for the Finance Operations of the University? ---That's correct.

And within those Finance Operations of the University was then to be found the Chief, the Central Procurement Group. Is that correct?---That's correct.

And you also had responsibility for HR. Is that right?---That's right.

20 Now if any training was to be delivered in relation to the Code of Conduct or the Gifts and Benefits Policy or the Conflicts of Interest Policy, then that training would be either delivered or supervised by HR. Is that right? ---They have a training unit, so yes.

They would be the group in the University responsible - - -?---Yes.

- - - for delivering training at that time?---Yes.

30 During the period when you held office as Acting Chief Operating Officer were you aware whether any training was delivered by HR in relation either to the Code of Conduct or the Gifts and Benefits Policy or the Conflicts of Interest Policy?---Look I can't recall any training, but that does not mean that I may have happened, I just was a bit overwhelmed by the position and simply did not know.

40 Did you take any steps to either require or ensure that any such training was delivered?---No. HR and all areas had budgets for training. Whether they applied them, at the time I wasn't focused on that. At the time of my arriving in that position I had to put together a University-wide budget for counsel at the end of that year in December. And I was simply not there and then straight after that was just overwhelmed by all the other day to day stuff in that position.

Did you take any steps to ensure that your successor as Director of FMS would be in a position to meet his responsibility to you of ensuring that the Line Managers in that department met the requirements of their positions? ---Mr Munro, who was appointed into that role as an Acting Director had been in that position on other occasions when I'd been on leave for instance or other and that was a rotational basis through the office in terms of the

senior management. After the Deputy Director had left he and all of them would have been aware of the scope and the nature of the work of the Director in that area. Now whether they launched into a training process on the Code of Conduct, I would not have thought so. I suspect he would have been in the same position I was, a bit overwhelmed.

10 So a fair statement would be that so far as you were concerned during the 22 months when you held office as Chief, Acting Chief Operating Officer, so far as you were aware your successor as the Head of FMS had done no more than you had done in that position to ensure that his Line Managers knew of and complied with the Code of Conduct, the Gifts and Benefits Policy and the Conflicts of Interest Policy. Is that right?---Look I would not be expected to know his day to day training, but I wouldn't have thought so.

Yes. So you agree with the proposition I put to you?---Yes.

That's it.

20 ASSISTANT COMMISSIONER: Thank you Mr Neil. Will anyone else be seeking to examine this witness?

MR BOURKE: Yes, I'll have a few questions, so - - -

ASSISTANT COMMISSIONER: Yes, I think we'll - - -

MR BOURKE: Is it convenient to deal with that now?

30 MR WATSON: I will have some too if that's any (not transcribable) in terms of timetable.

ASSISTANT COMMISSIONER: All right. Look I think we, we'd better to take the break. I was hoping to be able to let you go - - -?---So was I.

- - - but unfortunately you will have to come back at 2 o'clock.

**LUNCHEON ADJOURNMENT**

**[1.05pm]**

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