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INDEPENDENT COMMISSION AGAINST CORRUPTION

THERESA HAMILTON ASSISTANT COMMISSIONER

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ASSISTANT COMMISSIONER: Thank you, please be seated. This is a public inquiry being conducted by the Independent Commission Against Corruption. The general scope and purpose of this investigation will be outlined by Counsel Assisting. Ms Kate Williams has been appointed as Council Assisting this inquiry and I would now ask her to deliver her opening address.

10 MS WILLIAMS: Thank you, Commissioner. Between approximately December 2003 and March 2011 Mr Colin McCallum as employed as Campus Services Manager at the University of New England with the exception of a period from about February to December 2009, during which Mr McCallum acted as Director, Risk and Audit at the University.

As Campus Services Manager Mr McCallum reported to the Director of Facilities Management Services. Mr Mike Quinlan held this position during the period from December 2003 to October 2008. Mr Brian Munro succeeded Mr Quinlan and remains in this position. Facilities Management Services or FMS is responsible for the maintenance and operation of the University's buildings and facilities and the services required for the
20 operation of the campus.

As Campus Services Manager, Mr McCallum was involved in tender processes for significant services contracts and obtaining quotations for other services. Staff reporting to Mr McCallum supervised and managed the work performed by contractors and Mr McCallum was responsible for the administration of the contracts, including monitoring performance against performance standards in the contracts, approving invoices for payment, recommending or approving variations to contracts and
30 monitoring spending against budgetary constraints.

As Campus Services Manager and as Director, Risk and Audit Mr McCallum was a public official within the meaning of the Independent Commission Against Corruption Act. At the same time as being employed by the University Mr McCallum was the executive officer of New England Rugby Union from about 2005 until March 2011. New England Rugby Union, or NERU, paid Mr McCallum a fee of \$600 per month plus 10 per cent of any sponsorship moneys received. What follows is an outline of the matters that will be investigated by this public inquiry.

40 The inquiry will hear evidence to the effect that in about in December 2004 the University issued a request for tender for cleaning services. The contract was awarded to Quad Services Pty Limited in February 2005 for a term of three years with an option for the University to extend for a further term of two years. The annual value of the contract was approximately \$1.2 million. Quad Services commenced work under the contract shortly after February 2005. It employed supervisors to monitor the day to day performance of the work on the campus. Overall responsibility for ensuring that Quad Services fulfilled its obligations under the contract and

maintained good relations with the University fell to Ms Dobrilla Cutler, a regional manager with Quad Services. Ms Cutler travelled to the campus on a monthly basis to attend the University's spot inspections of the cleaning work. It is alleged that Ms Cutler then typically took Mr McCallum out to lunch.

10 The evidence will show that the rates and prices agreed between the University and Quad Services under the cleaning contract had been calculated on the basis that the University would provide Quad Services with a van for use in performing the cleaning services. At the time this arrangement was made it was expected that the van would be used jointly by the University and Quad Services. In about February 2007 the University decided to pass the cost of van on to Quad Services because it was being used solely by Quad Services.

20 The inquiry will examine whether Mr McCallum made an arrangement with Ms Cutler that allowed Quad Services to recoup the costs back from the University by issuing false invoices for cleaning, I withdraw that, false invoices for external cleaning for the amount charged by the University for the van plus a five per cent administration fee.

Evidence will be adduced to the affect that those allegedly false invoices were issued by Quad Services, approved by Mr McCallum and paid by the University during the period February 2007 to May 2009. And that the total amount paid was almost \$7,000.

30 In April 2007, Quad Services employed Mr Bill Turner, a friend of Mr McCallum as a supervisor at the University campus. The inquiry will hear evidence to the effect that Mr Turner was employed at Mr McCallum's suggestion or request and will examine whether Quad Services acceded to that request or suggestion in order to avoid displeasing Mr McCallum, having regard to the favour that he had allegedly shown Quad Services in relation to the van costs and his role in administering the cleaning contract generally.

40 The evidence will show that from the commencement of his employment in April 2007, Mr Turner often attended Ms Cutler's lunches with Mr McCallum and that he also contributed on behalf of Quad Services to Melbourne Cup functions attended by Mr McCallum and FMS staff at the St Kilda Hotel in Armidale.

The inquiry will also hear evidence that with Ms Cutler's knowledge and approval Mr Turner also delivered cartons of beer to FMS offices on a Friday afternoon from time to time so that Mr McCallum and FMS staff could enjoy a drink after work. Quad Services reimbursed Mr Turner for the cost.

This inquiry will hear evidence that Mr McCallum was occasionally treated to expensive dinners with fine wine by Ms Cutler and Mr Andrew Yardley from Quad Services during 2008 and that Mr Quinlan, Director of FMS, attended two of these dinners. As mentioned earlier Mr McCallum was the Director, Risk and Audit from about February to December, 2009. Mr Chris Ipkendanz replaced Mr McCallum as Campus Services Manager during that period and Mr McCallum was not required to carry out or be involved in any work of the FMS.

- 10 This inquiry will hear evidence to the effect that Mr McCallum nevertheless made it known to Ms Cutler that he would continue to be responsible for any major decisions concerning Quad Services cleaning contract and that Ms Cutler and Mr Turner continue to take him out to lunch on a regular basis.

On 17 December, 2009 the University issued a request for tender for a new cleaning services contract which would replace Quad Services contract when it expired in February 2010. Evidence will be adduced to show that on the same date Mr McCallum was treated to an expensive dinner and fine will by Ms Cutler and Mr Yardley from Quad Services.

Mr McCallum resumed his position as Campus Service Manager on or about 24 December, 2009 and was involved in the assessment of tenders submitted in January 2010 for the new cleaning services contract. Tenderers were required to specify the number of hours per week that they would require to carry out the cleaning of each of the facilities included in the specification. FMS prepared its own estimate of the hours required to be used as a benchmark in assessing tenders.

- 30 The inquiry will hear evidence that hours submitted by all tenderers other than Quad Services were materially less than the University's benchmark hours. The hours submitted by Quad were exactly the same as the University's benchmark in relation to several facilities. This inquiry will examine whether this occurred because Quad Services had access to or information about the University's benchmark hours before submitting its tender and if so how Quad Services obtained that information.

In any event the University cancelled the 2009 cleaning tender process in about March 2010. Quad Services continued to perform cleaning services under the terms of its 2005 contract until about early 2011, when the University engaged a new contractor to perform the cleaning services following a separate tender process undertaken in August and September, 2010.

During the years 2006 to 2009, Quad Services had sponsored a rugby team in Armidale called the Barbarians in the amount of about \$3,000 per year. This inquiry will hear evidence that in 2010 Mr McCallum persuaded Quad to pay the sponsorship fee to NERU instead. As a result of this change Mr

McCallum personally received ten per cent of the sponsorship monies paid by Quad Services.

The inquiry will examine whether Mr McCallum breached the University's Code of Conduct and other relevant policies and engaged in corrupt conduct within the meaning of the Independent Commission Against Corruption Act by accepting hospitality provided by Quad Services, approving for payment the allegedly false invoices for external cleaning that were submitted to recoup the costs of the van, soliciting or seeking the employment for Mr Turner and obtaining a financial benefit from Quad Services sponsorship of New England Rugby Union in 2010.

The inquiry will also examine whether Mr Quinlan breached the University's Code of Conduct and Gifts and Benefits policy and engaged in corrupt conduct within the meaning of the Independent Commission Against Corruption Act by accepting Quad Services hospitality by attending two expensive dinners with Mr Yardley and Ms Cutler during 2008.

In addition the inquiry will examine whether by providing hospitality to Mr McCallum and Mr Quinlan, Mr Yardley and Ms Cutler engaged in corrupt conduct within the meaning of the Act. In relation to Mr McCallum's alleged acceptance of Quad Services' hospitality and the financial benefit he received from their sponsorship of the NERU there may be grounds for the Commission to express an opinion that consideration should be given to obtaining the advice of the Director of Public Prosecutions with respect to the potential prosecution of Mr McCallum, Mr Yardley or Ms Cutler for an offence under section 249B of the Crimes Act. There may also be grounds for such an opinion to be expressed in relation to potential prosecution of Mr McCallum or Ms Cutler for offences under section 178BB of the Crimes Act in relation to the submission and approval of the allegedly false invoices for external cleaning.

This inquiry will hear evidence about services provided to the University by Sydney Night Patrol and Inquiry Pty Limited or SNP. SNP was first engaged to provide these security services under three year contracts that commenced on 1 November 2005. The University had an option to extend the term by a further two years. Mr McCallum was responsible for the administration of the contract. Mr McCallum's main contact at SNP was Mr Martin McLean the branch manager of SNP's Newcastle Office. The annual value of the contract is about \$565,000, this includes fees for the provision of security guards and alarm monitoring and an annual charge of \$22,000 for the provision of a seven-seater vehicle.

From November 2005 to July 2007 that vehicle was used by security guards to respond to any emergencies during the daytime and to provide a safe mode of transport for students around the campus at night time. In about late 2006 or early 2007 the scope of SNP's work was expanded to include the provision of technical services relating to the University's audio visual

systems in lecture theatres at a cost to the University of about \$60,000 per year. SNP's fees for this service are included in the monthly invoices issued under the security contract. The seven-seater vehicle was then used not only for SNP security operations but also to transport the audio visual technician around the campus when necessary.

10 In about February 2007 the University decided to contract out its mailroom operations and delivery of mail around the campus. The expression of interest and tender process was handled by FMS and by Mr McCallum as Campus Services Manager. SNP was invited to submit an expression of interest even though it had no prior experience in providing mail services. This inquiry will hear evidence that SNP's submissions stipulated an annual price that was about \$100,000 higher than the other complying expression of interest received by the University, however, SNP later reduced its price by about \$83,000 after discussions with Mr McCallum.

20 One of the issues to be explored in this inquiry is the subject matter of those discussions and the reason why SNP reduced its price so dramatically. SNP and one other company were then invited to submit a tender. The University required the tenders to include the cost of a mail delivery van. A feature of SNP's tender was the prospect of certain efficiencies that may be achieved in the provision of mail services by making use of SNP's existing resources that were used for security services including the use of the seven-seater security van for the delivery of mail. SNP's price therefore did not include the cost of a mail delivery van. The evidence will show that the University accepted its tender on that basis and awarded the contract to SNP for a term of three years with an option for the University to extend for a further two years. The annual value of the contract is approximately \$153,000.

30 SNP commenced performing the mail services at the University on 23 July 2007. The evidence will show that shortly before that date SNP delivered a new Toyota Yaris vehicle to campus which was used for the security operations and the audio visual technician during the daytime whilst the seven-seater van was being used to deliver mail. Notwithstanding that SNP had been awarded the mail services contract on the basis that it would not require and so the University would not have to pay for any additional vehicle to perform the mail services this inquiry will hear evidence that SNP did charge the University for the Toyota Yaris.

40 The evidence will show that the charges were included on invoices issued under the security contract and falsely described as charges for alarm service work and that this was done by Mr McLean at Mr McCallum's request so as to conceal from the University that it was paying for an additional vehicle.

The inquiry will hear evidence that hospitality extended to SNP by, extended by SNP to Mr McCallum, which was not disclosed to the

University, included attending race days and rugby matches hosted by SNP, attending SNP's gala dinner, accommodation at a hotel known as Warners on the Bay and expensive dinners.

10 Mr McCallum allegedly attended a races and rugby day hosted and paid for by SNP including overnight accommodation at the same time as he was involved in the assessment of tenders for the University's mail services contract. This hospitality was arranged by Mr McLean on behalf of SNP. Evidence will also be adduced to the fact that SNP provided cartons of beer to FMS from time to time for their Friday afternoon drinks.

20 In October 2008 Mr McCallum recommended that the security services contract and mail services contract be merged with both contracts remaining on foot until mid 2012 when the five year term of the mail services contract would expire. The effect of this was to extend SNP's security services contract for more than a year. It was also likely to put SNP in an advantageous position if the University decides to re-let the security and mail services as one contract. The recommendation was approved by Mr Quinlan and adopted by the University. The reasons for the recommendation and the merger of the two contracts will be explored in this inquiry.

30 The inquiry will hear evidence that SNP employed Mr McCallum's daughter on a part-time basis in February 2008 at his suggestion and on, and on a full-time basis in May 2009 at his request. By all accounts SNP was impressed with McCallum's performance and she was a valued employee. However, the inquiry will examine whether Mr McCallum's involvement in her recruitment was inappropriate and in breach of the University's Code of Conduct. It will also examine whether statements made by Mr McCallum to the University about the circumstances in which she came to be employed by SNP were false or misleading.

The inquiry will hear evidence that SNP established a staff rewards scheme in November 2008 at Mr McCallum's suggestion. Two vouchers for \$500 each were awarded to SNP staff members in November 2008. The vouchers could be spent at a motel and restaurant in Armidale. SNP billed the cost of \$1,000 to the University. Mr McCallum arranged for one of the vouchers to be awarded to his daughter and used it for a family dinner.

40 SNP paid \$5,000 sponsorship to NERU each year from 2006 to 2010, a total of \$25,000. The evidence will show that Mr McCallum received 10 per cent of that amount from the NERU. Further, SNP paid an additional sum of \$2,000 in about May 2009 at Mr McCallum's request to assist NERU repay debts owed to the St Kilda Hotel in Armidale. The inquiry will examine whether Mr McCallum breached the University's Code of Conduct and other relevant policies and engaged in corrupt conduct within the meaning of the Independent Commission Against Corruption Act by accepting hospitality provided by SNP, approving for payment the invoices that

falsely described the charges relating to the additional vehicle as alarm service work, soliciting employment and the staff reward for his daughter, obtaining a financial benefit from SNP's sponsorship of NERU and soliciting a financial benefit for NERU in the amount of \$2,000.

The inquiry will examine whether by providing hospitality to Mr McCallum and in approving the \$2,000 payment to or for the benefit of NERU Mr McLean engaged in corrupt conduct within the meaning of the Independent Commission Against Corruption Act.

10

In relation to Mr McCallum's alleged acceptance of benefits from SNP and the financial benefit he received from its sponsorship of NERU there may be grounds for the Commission to express an opinion that consideration be given to obtaining the advice of the Director of Public Prosecutions with respect to the potential prosecution of Mr McCallum or Mr McLean for offences under section 249B of the Crimes Act. There may also be grounds for such an opinion to be expressed in relation to potential prosecution of Mr McCallum or Mr McLean for offences under section 178BB of the Crimes Act in relation to the alleged invoicing and payment of charges falsely described as being for alarm service work.

20

Prosys Services Pty Limited have undertaken design, installation and maintenance work relating to the University's Cardax access control system since about 2000. During the period January 2004 to date the University has paid Prosys Services the total amount of approximately \$2.4 million for these services. The inquiry will hear evidence that Prosys Services did not participate in any tender process in order to perform this work for the University. It was simply asked by Mr McCallum from time to time to provide quotations which were accepted by FMS on Mr McCallum's recommendation.

30

The evidence will show that in September 2008, Mr McCallum recommended that Prosys be appointed as a sole supplier to the University on the basis that Prosys were the only company with local subcontractors in the region who were capable of providing emergency maintenance services to the University. The truthfulness of that statement and the rationale for recommending that Prosys be awarded sole supplier status will be examined.

40

The inquiry will hear evidence that Prosys maintained a bar tab at the St Kilda Hotel which was used by Mr McCallum frequently and on occasions by other FMS staff. Mr McCallum was also treated to expensive dinners at a restaurant at the Deer Park Motel in Armidale. The evidence will show that in about August 2008, Mr McCallum asked Mr Neville Magi, a Director of Prosys to pay \$3,000 to NERU to contribute to the cost of a fund raising dinner to be held at the St Kilda Hotel on 6 November, 2008. Mr Magi agreed and the amount was paid in about October 2008.

The inquiry will hear evidence that shortly before the date of the function Mr McCallum asked Mr Magi to pay \$7,000 directly to the St Kilda Hotel as a further contribution to the cost of the dinner. It is alleged that Mr Magi agreed to this additional payment because Mr McCallum assured him that he would arrange with the University to reimburse Prosys. Five days after the function Mr Magi sent Mr McCallum a quotation for \$7,000 plus GST for work described as incorporating Cardax and alarm equipment on to University site plans. Mr McCallum requisitioned a purchase order for that quote on the same day. Prosys issued an invoice for \$7,000 plus GST to the University in respect of that quote and purchase order on 25 November, 2008 and Mr McCallum approved the invoice for payment on 4 December, 2008. That invoice was paid by the University and Prosys paid St Kilda Hotel's invoice for \$7,000 including GST in January, 2009.

The inquiry will examine whether the work referred to in Prosys' invoice and paid for by the University was in fact carried out.

The inquiry will examine whether Mr McCallum breached the University's Code of Conduct and other relevant policies and engaged in corrupt conduct within the meaning of the Independent Commission Against Corruption Act by accepting hospitality provided by Prosys and whether Mr Magi engaged in corrupt conduct by providing that hospitality.

In relation to Mr McCallum's acceptance of Prosys' hospitality and the financial benefit derived by NERU from Prosys' contribution to the fundraising dinner, there may be grounds for the Commission to express an opinion that consideration should be given to obtaining the advice of the Director of Public Prosecutions with respect to the prosecution of Mr McCallum or Mr Magi for an offence under Section 249B of the Crimes Act. If Prosys' invoice for \$7,000 referred to earlier was false, there may also be grounds for such an opinion to be expressed in relation to potential prosecution of Mr McCallum and Mr Magi for offences under Section 178BB of the Crimes Act.

New England Rugby Union hired grounds owned by the University and managed by Sport UNE for rugby finals matches during the years 2006 to 2010. The inquiry will hear evidence that in 2006, 2007 and 2008 Mr McCallum instructed SNP to provide security guards for those matches. SNP billed the cost to the University under the security contract. Mr McCallum approved the invoices for payment. The total cost to the University and corresponding saving to NERU was about \$5, 700.

The inquiry will also hear evidence that in 2010, Mr McCallum arranged for New England Rugby Union to use Sport UNE's facilities for the rugby finals without charge. At this time FMS was issuing monthly invoices to Sport UNE for the cost of cleaning the facilities which was carried out by Quad Services.

It is alleged that Mr McCallum told Sport UNE that FMS had agreed to sponsor NERU. He proposed that Sport UNE should not invoice NERU for the facilities hire, the fee for which was equivalent to the sponsorship amount and FMS in turn would not invoice Sport UNE for the equivalent value of cleaning services.

- 10 Sport UNE agreed to this arrangement on the understanding that the sponsorship arrangement had been approved by FMS and the University. However, evidence will be adduced to the affect that there was no such arrangement in place and Mr McCallum's, Mr McCallum's claims about sponsorship were false. It is alleged that as a result of those false claims the University was deprived of revenue of approximately \$9,635 to the benefit of NERU.

The inquiry will examine whether Mr McCallum obtained any other benefits from Sport UNE for NERU by making false statements or arranging for FMS not to charge Sport UNE for the cleaning of its facilities.

- 20 The inquiry will examine whether Mr McCallum's conduct in relation to both the security guards and the 2010 facilities hire fee was in breach of the University's Code of Conduct. Those matters may also provide grounds for the Commission to express an opinion that consideration should be given to obtaining the advice of the Director of Public Prosecutions for prosecution of Mr McCallum for an offence under Section 178BB of the Crimes Act.

- 30 All of these events give rise to many issues concerning corruption prevention at the University which will be examined during this inquiry. The issues include inadequate training and awareness about the University's Code of Conduct and Gifts and Benefits policy, lack of formal procurement policies and procedures, lack of clear definition of the roles of University staff members in procurement and tender processes, opportunities for corruption that arose due to Mr McCallum's s in FMS tender processes, ongoing contract administration and approval of invoices for payment and lack of effective management and supervision of Mr McCallum. Those and other issues will be addressed during the inquiry.

If the Commission pleases.

- 40 ASSISTANT COMMISSIONER: Thank you Ms Williams. We will now have a short adjournment after which we will take appearances. Thank you.

SHORT ADJOURNMENT

[10:00am]

ASSISTANT COMMISSIONER: Thank you, please be seated. Yes, I will now take applications for leave to appear.

MS HUGHES: Commissioner, my name is Hughes, I seek leave to appear on behalf of Mr McCallum.

ASSISTANT COMMISSIONER: Yes, Ms Hughes, you're given that leave.

MR STEIRN: Commissioner, I seek leave to appear on behalf of Mr Neville Magi, my name is Steirn.

10 ASSISTANT COMMISSIONER: Yes, Mr Steirn, you're given leave to appear for Mr Magi.

MR STEWART: Yes, good morning, Commissioner, Stewart solicitor, I seek leave to appear on behalf of Mr Turner.

ASSISTANT COMMISSIONER: Yes, Mr Stewart, you're given leave to appear for Mr Turner.

20 MR STEWART: Thank you, Commissioner.

MR MADDEN: My name is Madden, Assistant Commissioner, I seek your authority to appear for Dobrilla Cutler.

ASSISTANT COMMISSIONER: Yes, Mr Madden, you're given leave to appear for Ms Cutler.

MR BOURKE: It's Bourke, your Honour, instructed by Manion McCosker Solicitors, I seek leave to appear for Mr Martin McLean.

30 ASSISTANT COMMISSIONER: Yes, Mr Bourke, you're given leave to appear for Mr McLean.

MR POSEVIC: Commissioner, I seek leave to appear on behalf of two people Rochelle Slade and Scott Norton.

ASSISTANT COMMISSIONER: Rochelle Slade and Scott Laughton?

MR POSEVIC: N-O-R.

40 ASSISTANT COMMISSIONER: Scott Norton.

MR POSEVIC: My name is Posevic, P-O-S-E-V-I-C.

ASSISTANT COMMISSIONER: Yes, Mr Posevic, you're given leave to appear for Ms Slade and Mr Norton.

MR HARRIS: Assistant Commissioner, my name is Harris, I'm seeking leave to appear for Michael Quinlan.

ASSISTANT COMMISSIONER: Yes, Mr Harris, you're given leave to appear.

MR McGIRR: Paul McGirr solicitor, I seek leave to appear for Mr Todd Anley.

ASSISTANT COMMISSIONER: Yes, you're given leave to appear, Mr McGirr.

10

MR WATSON: Mr Watson solicitor, I seek leave to appear for Quad Services Pty Limited and for Mr Andrew Yardley.

ASSISTANT COMMISSIONER: And for Mr Andrew Yardley?

MR WATSON: Yes.

ASSISTANT COMMISSIONER: Yes, you're given leave to appear, Mr Watson.

20

MR NEIL: Commissioner, my name is Neil, I seek leave to appear for the University of New England.

ASSISTANT COMMISSIONER: Yes, Mr Neil, you're given leave to appear for the UNE. Yes, if there are no other applications for leave I'll ask Ms Williams to call the first witness.

30

MS WILLIAMS: Just before I do that, Commissioner, may I just indicate a couple of matters for the benefit of the legal representatives. The witnesses I propose – well, the initial witnesses I propose to call in this order are Mr McCallum followed by Mr Turner, Ms Cutler, Ms Slade and then Mr Yardley and I will endeavour to give rolling indications of witnesses to be called as matters progress.

40

The legal representatives have all, I think, been provided during the adjournment with a disc containing witness statements of all witnesses who have given evidence to the Commission. If anybody has not received that disc I would invite them to indicate that during the luncheon adjournment. At this stage I do not propose to call the following witnesses who have made statements, that may change but at this stage the witnesses are Mr Ipkendanz, Mr Dunn, Ms Wilde, Mr Chaloub, C-H-A-L-O-U-B, Mr Kendal, K-E-N-D-A-L, Ms Ewert, E-W-E-R-T, Ms Lovell, Mr Lee, Mr Richey, Mr Smith, Ms Winnacott, Mr Notley, Ms Howe, Mr Stephen, Mr Norton, Mr Schmude, S-C-H-M-U-D-E, Mr Woodward and Mr Kwon and I give that indication so that if anybody informs me they may want to ask any of those witnesses a question they might indicate that to me during the course of the inquiry. That said, Commissioner, I call Mr McCallum.

MR BOURKE: Just before that happens, can I put something on the record in relation to the Mr McLean for whom I appear. I've indicated to Counsel Assisting that we would be seeking some time to take instructions from Mr McLean in relation to documents that were served upon us late last week. My discussions with my learned friend indicate that after Mr McCallum's called it's expected that persons to do with the company Quad would then be called and so we are hoping that that would then occupy a large part of tomorrow. The purpose of my getting to my feet is to indicate that we would see that if possible Mr McLean's process of being called be moved down the order a little bit if - so as to give us that opportunity to look at these documents and for him to look at these documents.

ASSISTANT COMMISSIONER: Yes.

MR BOURKE: I'm just flagging that, Commissioner.

ASSISTANT COMMISSIONER: Well, as I understand it there's no suggestion he'll be called today is there?

MS WILLIAMS: No. I've indicated to Mr, to my learned friend that I expect Mr McLean to be called tomorrow or Wednesday, depending on the progress made with other witnesses.

ASSISTANT COMMISSIONER: Yes, thank you. Well, your comments are noted.

MR BOURKE: Thank you.

ASSISTANT COMMISSIONER: Thank you, Mr Bourke.

MR MCGIRR: Commissioner, I notice in the witnesses to be called today that Todd Anley wasn't mentioned and I was just not sure where that leaves me. My main interest in seeking leave to appear was related to that witness only.

MS WILLIAMS: Commissioner, the position is Mr Anley will not be called today and I have not at this stage made a decision not to call him. He may be called on a, on a subsequent day and if and when a decision is made about him being called I will inform the Commission - - -

ASSISTANT COMMISSIONER: Yes.

MS WILLIAMS: - - - and the representatives.

MR MCGIRR: Well, might he be excused from (not transcribable) re-attendance by arrangement between - - -

ASSISTANT COMMISSIONER: You mean excused for today? The, the problem is it's a running order of witnesses. It's very hard to judge how long certain witnesses will take. I'd rather not excuse him because, you know, I'm sure - - -

MR MCGIRR: If he could be excused today that would - - -

ASSISTANT COMMISSIONER: Well, I think he could. Can he be excused today Ms Williams?

10

MS WILLIAMS: For my part, Commissioner, yes.

ASSISTANT COMMISSIONER: Yes. Yes, he can certainly be excused today but he should come tomorrow.

MR MCGIRR: Thank you.

ASSISTANT COMMISSIONER: Thank you. Yes, if there's nothing else, we'll, we'll commence. Yes, come up. Yes, Mr McCallum, now as you'd
20 be aware you have been called here to give evidence and you are required to answer all of the questions that are asked of you. Ms Hughes, does your client wish to seek a declaration?

MS HUGHES: He does, Commissioner.

ASSISTANT COMMISSIONER: Thank you. Yes, Mr McCallum, I'll just explain to you that the declaration I'm about to make means that nothing you say here can be used against you in any future proceedings. However,
30 an exception to that is if it is found that you've provided false or misleading evidence in which case the evidence could be used. Do you understand the effect of this order?

MR McCALLUM: Yes, I do.

ASSISTANT COMMISSIONER: Thank you. Pursuant to section 38 of the Independent Commission Against Corruption Act, I declare that all answers given by this witness and all documents and things produced by him during the course of 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
40 objection in respect of any particular answer given or document or thing produced.

**PURSUANT TO SECTION 38 OF THE INDEPENDENT
COMMISSION AGAINST CORRUPTION ACT, I DECLARE THAT
ALL ANSWERS GIVEN BY THIS WITNESS AND ALL
DOCUMENTS AND THINGS PRODUCED BY HIM DURING THE
COURSE OF 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.**

ASSISTANT COMMISSIONER: Mr McCallum, you're required to take an oath on the Bible or make an affirmation.

10 MR McCALLUM: I'll take an oath, Commissioner.

ASSISTANT COMMISSIONER: Thank you. Could the witness be sworn, please.

ASSISTANT COMMISSIONER: Yes, Ms Williams.

MS WILLIAMS: Thank you, Commissioner. Mr McCallum, could you state for the record your full name and address, please?---Colin James McCallum,XXXXX.

10 And you were appointed as Campus Service Manager at the University of New England in about December 2003. Is that correct?---That's correct.

And that role fell within the Facilities Management Services section of the University?---It did.

20 Could you just describe for the Commission briefly your experience and qualifications prior to December 2003?---I'd spent nearly four years at the University as Safety and Security Manager, which was responsible mainly for security and then also Fire Services and previously I'd worked for the Brisbane City Council in their Network Coordination section.

What if any experience did you have before December 2003 in relation to procurement and tender processes?---I had done procurement for the Brisbane City Council, plus transport systems for their cash handling contracts and their security contracts.

And had you been involved for example in preparing tender specifications? ---Yes, I had.

30 And had you been involved in identifying assessment criteria and weightings to be given to criteria in tender assessments?---Not formally, but in conjunction with other employees.

And had you been involved in carrying out evaluations of tenders prior to December 2003?---Yes.

40 And what experience did you have before December 2003 in relation to contract management?---Only those ones I mentioned with the Brisbane City Council which was their cash collection contract and their security works.

When you commenced as Campus Service Manager did you receive any training or instruction in relation to procurement and tender processes? ---No, I didn't.

All right. Were you provided with any policies or guidelines or other documentation of the University in relation to procurement or tenders?---I

didn't know there was, we looked at the University sort of financial handbook, but there wasn't any policies per se for procurement.

And the University financial handbook that you referred to did that have some information in it regarding procurement and tenders?---It did.

And what was the nature of that information?---Oh, it was, it was fairly obscure as I recall back in those days.

10 All right. Did you receive any training or instruction when you commenced with Facilities Management Services as Campus Service Manager in relation to the University's Code of Conduct?---No, because I was already in a position, so I was just moving across.

All right. And your position as Fire and or, sorry, Safety and Security Officer - - -?---Manager, yes.

- - - that was your first position with the University. Is that correct?---I was, I was contracted into it first and then I was employed into it.

20

And when you first became employed were you provided with a copy of the University's Code of Conduct?---I remember doing a days induction many months after I started, but I couldn't tell you the exact documents that I got back then.

And do I take it that you can't recall whether or not that day covered the Code of Conduct?---I think it got handed out but I don't, it went through a lot of other stuff. It was very, very sort of packed in.

30 When you commenced as Campus Services Manager did you, you were aware were you that the University had a Code of Conduct?---Yes.

And were you aware of the substance of what that Code required of you? ---Partly, not, partly not all.

All right. Were you aware at that time, that is in December 2003 that the Code stipulated that you must not accept or solicit gifts or benefits that might directly or indirectly compromise or influence your work as Campus Services Manager?---Yes.

40

And was that an awareness that you retained during the period that you worked as Campus Services Manager?---Yes.

Were you aware in December 2003 that any work outside of University employment that you might do was not to involve the University resources unless you had prior written consent?---Yes.

And was that something you were aware of throughout the period December 2003 to March last year when you ceased working as Campus Services Manager?---Yes.

Are you familiar with the University's Gifts and Benefits Policy?---Not till later on but I was probably from 2009 on.

10 All right. I want to suggest to you that policy was introduced in about June 2007. Do you recall receiving any training or induction in that policy at around that time that it was introduced?---No. No, because it was actually in the HR Handbook not – I recall finding it there.

The HR Handbook that was something you received as an employee of the University?---No.

How was it that you became aware of the Gifts and Benefits Policy in about 2009?---I had a request from someone asking me about the situation they were getting in for so I had to look it up (not transcribable) policy.

20 And that was something you had to look up in your capacity as Director or Acting Director, Risk and Audit, is that right?---Yes.

So prior to that time none of your superior officers at the University had drawn your attention to the Gifts and Benefits Policy, is that right?---No, I think there was a – every staff member just got a Code of Conduct sent to them in the internal mail.

30 The University also had a Conflict of Interest Policy, were you aware of that?---Yes.

And when did you become aware of that roughly?---I was just – it was just standard for government so I was aware of that but I can't say exactly, it was just a standard one that I would've been aware of.

All right. Your role and responsibilities as Campus Services Manager involved you participating in the process for tenders at the University issued for major services contracts, that's right isn't it?---That's correct.

40 And what role would you generally adopt in relation to those tenders if you can just explain that to the Commission briefly?---For the ones – the work on the actual tender specifications the issuing of the documentation and the assessment and initial recommendation.

All right. And in relation to the assessment phase who else would be involved in undertaking the assessment with you?---It varied. In the early days for the first security contract I think it was just me and then I and the company I worked for and then we sat down with the – I think the Deputy

Director of FMS and just went through our – the paperwork and our thought processes.

Right. So typically there would be you and somebody else from FMS would be involved in the assessment or evaluation phase, is that right?--- Yes, that's correct.

10 Would somebody from the University's Finance Department also be involved?---Only in the last cleaning tender.

Right. Were you typically the most senior person as Campus Services Manager within FMS that was involved in the assessment phase?---Yes.

And once a recommendation had been made and submitted to the Director if the contract was awarded you would then be responsible for oversight of that contract?---That's correct.

20 And that would involve decisions such as contract variations, - - -?---Yes.
- - - extensions of contracts, - - -?---Yes.

- - - any issues that required approval of invoices?---Yes.

And you would typically approve invoices before they would go up to Finance to be paid, is that correct?---That's correct.

30 Is it fair to say that you, in effect, had end-to-end control then of FMS's relationship with the contractor once the contract was awarded, that's right? ---Yes.

And you had been, if I can put it this way, the key FMS person participating in the decision-making process to award the contract to that contractor, is that right?---The initial recommendation, yes, but I was the key person, yes.

The University had a system of issuing delegations to particular staff members to approve certain levels of expenditure, is that correct?---That's correct.

40 What was your delegation starting, if we can, from 2010 to 2011 your most recent delegation?---5,000.

And did that involve approval of payment that had already been accounted for via budgets and purchase orders and the like or did that involve issuing new purchase orders?---Issuing of new purchase orders.

Right. And did you have a different financial delegation for other decisions such as simply signing off on invoices that had already purchase orders raised?--- Yes, I did.

And what was that limit?---I don't think there was a limit, I just think that we were signing if the work had been done.

Right. So if an invoice was issued provided a purchase order had already been raised - - -?---Yes.

- - - you could sign - approve it for payment regardless of the amount?---
That's correct.

10

In about February 2009 you left your position as Campus Services Manager and took up a position as Acting Director, Risk and Audit, is that right?
---That's correct.

And what were your role and responsibilities in that position?---Basically at the start I was looking at just writing – there wasn't many policies in place so we were looking at policy writing and there was no audit work involved because obviously I'm not an auditor, I was supposed to – initially I was supposed to recruit an auditor and risk management.

20

And what experience did you have prior to February 2009 in risk management and writing policies?---I had done that for the Brisbane City Council prior to moving to Armidale.

Right. And how did your appointment as Acting Director, Risk and Audit with the University come about, was there an application process or how did that happen?---Initially I was seconded into the position and then there was an application process.

30

And how did you come to be seconded into the position, did you approach somebody at the University or were you approached?---I was approached.

And who was it who approached you?---Mike Quinlan.

And he was the Director of Facilities Management Services at the time?
---No, he was Acting Chief Operating Officer at the time.

I see. Was it Mr Munro who was the Director of FMS at that time?
---Everyone was Acting, he was Acting Director at the time.

40

I see. And did you have to participate in an interview or satisfy some other criteria before you were appointed or seconded?---I submitted an overview to the Vice-Chancellor of my previous experience.

And was there another step between that and you being seconded to the position or the next thing you knew you'd been seconded?---I was then seconded.

Right. The policies that you wrote whilst in this position did they include a Fraud and Corruption Prevention Policy?---Yes.

Just pardon me one moment. Mr McCallum, there's a document being brought up on screen for you that is Corruption Prevention volume 2, page 4, Commissioner, and I'm not sure whether the other representatives have that volume at this stage but the document has been brought up on the screen. Mr McCallum, once you've had a look at that document, and please indicate if you wish to see subsequent pages, is that the Fraud and
10 Corruption Prevention Policy that you worked on?---It is.

And during what period of time approximately did you work on that? You can see there that it is said to have been endorsed by a committee on 19th October 2009?---Probably the six months prior to that.

All right. And what's the committee referred to?---The Audit and Risk Committee.

Right. You were a member of that committee in your position as Acting
20 Director?---No, I wasn't a member I was – I wasn't a full member, no.

I see. Did you, in effect, report to that committee, is that how it worked?
---Yes.

Thank you. Mr McCallum, I want to ask you some questions about the Quad Services cleaning contract that was awarded by tender in late 2004?
---Yes.

That was tender number 2004/16, does that ring a bell?---Yes.
30

And that was a publicly advertised tender or a closed tender?---Select tender closed, yes.

Right. Why was it closed rather than publicly advertised?---That was a system that was in place at FMS and it was the same previously when I worked for the Brisbane City Council.

Right. Did you understand the reasons why that system was in place with FMS?---Basically it was – because of the regional aspect it was viewed that,
40 you know, approaching companies and asking around other universities were there companies that were, you know, that fit the criteria to – it was a better way of doing things than having a carte blanche open one.

In any event you received I think four tenders during that tender process, does that sound correct?---Yeah, stacks.

And one of those was from Quad Services?---That's correct.

Were you responsible for the - setting the criteria and the, the weighting for the tender process?---Yes.

And the members of the tender assessment committee or Tender Evaluation Committee were yourself and Mr Ross Williams and a Mr Tony Dunn, is that right?---No, they did it independently down at finance once the report was, the initial recommendation from FMS came.

10 All right. What was your role then? Were you, were you responsible for preparing the recommendation?---Yes, yes, I was.

And you carried out the assessment of the tenders in order to make that recommendation?---Yes, I did.

Did you do that alone or with other FMS staff?---No, there was two staff, Joan Walsh was the cleaning supervisor and her assistant Greg Tapper.

20 And was the recommendation something that you had to agree on jointly or was that something that you in effect decided once they had assisted you evaluate the tenders?---No, no, we, we agreed.

Mr Williams and Mr Dunn are finance, were they given the specifications that had been sent out to the tenderers for the purpose of their - - -?---Yes, they would have, yes.

All right. Do you recall that Quad Services' tender stipulated a particular price per annum for the supply of the vehicle to carry out the cleaning work?---Yes, I do.

30 And do you recall that you had some discussions with Quad Services after the tender was submitted querying whether they could reduce their price if the University were to supply a vehicle, is that correct?---That's correct.

And as a result of that Quad Services indicated they could reduce their price by \$12,000 a year if the University supplied the vehicle?---Yes.

And that was the basis on which their tender was accepted, correct?---Oh, one of the bases, not the sole basis.

40 No, I wasn't suggesting - - -?---Yeah.

- - - the sole basis, I'm sorry, but certainly the contract entered into was on the basis that that \$12,000 had come off their price?---Yes, yes.

And the University would supply the vehicle, is that correct?---Yes.

The - I want you to assume that the letter from the University formally engaging Quad Services was dated 10 February, 2005. Do you recall being

taken out to lunch at the Armidale Hotel by Mr Yardley and Mr Seibert from Quad Services on the same date?---I, I remember going out, I can't quote the date though.

All right. Do you remember going out on about the same day as the letter was formally issued and the decision formalised?---I remember going out once the, the contracts were signed so whether that was the same day or not, yes.

10 All right. And who paid for lunch on that occasion?---Ah, Quad Services.

And did Mr Quinlan - well, he was your supervisor at the time, correct?
---Yes, he was.

Did he know that you were going out to lunch with Quad Services?---I'm not sure, it was, we, we normally used to have lunch with the people when they signed the contract because they were travelling, we were there, it was just something that I, I always did.

20 Wasn't it contrary to the University's Code of Conduct to be taken out for lunch by contractors, particularly at the start of what's going to be a relationship of a number of years?---I think we were trying to, we viewed it as we're trying to build that relationship so even though it was contrary it was still, it was just something that we viewed that at the start of a contract you try and build those relationships.

30 Do you agree that being taken out to lunch paid for by contractors might be seen as some as likely to influence you in the contractor's favour when you were subsequently administering the contract?---Yes, people could have that perception.

Do you say that you were or that you weren't influenced in favour of Quad Services by being taken out to lunch by them?---At that stage we were just going through all the start ups so I didn't, didn't think there was any influence, I don't believe I was influenced at that stage. There was just a, a lot, lot to start up.

40 All right. Was there any particular reason why that discussion about starting up the contract couldn't have been a normal meeting at FMS officers rather than over lunch?---No, there's no reason why it couldn't have been in an office.

Is it fair to say that the Code of Conduct, despite what it said, wasn't always adhered to at FMS, is that a fair statement?---By myself, yes and, and others I suppose, I can't, but - - -

Well, you referred to going to lunch with contractors at the start of a contract being - - -?---Yes.

- - - something that was done at FMS?---Yes.

Is that correct?---Yes.

So is it fair to say that - - -?---Yes.

- - - it was generally accepted at FMS that that was a reasonable thing to do?
---Yes.

10

Was any attention at all given to the Code of Conduct at FMS in discussions on ongoing meetings or training?---The - certainly as I said there was, I think there was some sessions when the, when it was sent around, when the University actually printed one individually for each of the staff but it was just, there was no actual formal - I think that could have been the only occasion but I couldn't tell you when that was.

Once Quad Services started work under the cleaning contract - - -?---Yes.

20

- - - invoices would be sent to you at FMS is that right?---That's correct.

You would sign them as approved for payment, correct?---That's correct.

And they would then go off to finance to actually make that payment, is that the process?---That's correct.

30

During the period 2005 to 2007 did you go out to lunch with Quad Services on a regular basis?---I, I can't recall whether it was regular at the start but I did go out, yes, I did, on a number, on a number of occasions but sometimes it was like random, you know, when, when they turned up.

They turned up, didn't they, roughly once a month to participate in the University's inspection of their work?---Yes, they did.

And typically it was Ms Cutler who would turn up from Quad Services' - - - ?---Yes.

- - - office on that occasion, correct?---Yes.

40

And there was also an onsite supervisor, is that right?---That's correct.

Did you typically go out to lunch with Ms Cutler about once a month after those inspections?---Yes, I did.

All right. And who paid for those lunches?---Quad Services.

All right. These regular lunches, were they something that Mr Quinlan or Mr - I'll withdraw that, Mr Quinlan knew about as your supervisor?---I, I'm

not sure, I didn't formally tell him, I just listed a contract meeting in my diary.

Was it actually a contract meeting over lunch or had you effectively had that at the University before you went to lunch?---No, no, if there was a, if there was a, a serious issue we used to discuss it before we went out but normally they would do the inspections which I didn't take part in and then we'd sort of catch up after that.

10 And these regular lunches paid for by Quad Services, that created an expectation didn't it, even if it was just an implicit one, that you would show some leniency or favouritism toward Quad Services in the way that you administered the contract?---I'm not sure about favouritism but, you know, certainly to work through issues, it was a lot more amicable to work through issues that way. If that's leniency then, yes.

Did you think at the time about whether or not it was consistent with the Code of Conduct for you to be going out to these lunches paid for by Quad Services?---No, I didn't.

20

Do you accept that your accepting their hospitality in that way may be seen by others as disposing you in favour of Quad Services in the way you administer that contract?---Yes, I do.

And did it dispose you to favour Quad Services in the way you administered that contract?---Ah, no, 'cause most of it was just set in, set in concrete for the main cleaning works so - - -

30 What about the things that weren't set in concrete, such as the, a revision of the pricing of the contract?---That, well, that was guided by - the rise and fall clauses are guided by CPI, they had specific actual margins that it could move.

And how often did those price revisions take place during the five-year term of the contract?---Annually.

All right. And there was an increase every year was there?---Yes.

40 Were Quad Services required to demonstrate the particular movements that had occurred that justified an increase?---Yes.

Do you recall that in early 2007, in about January, the University van that had been provided to Quad Services was to be invoiced to Quad Services as a, as a monthly cost to them, do you recall that?---Yes, I do.

Do you recall that you made an arrangement with Quad Services that they could invoice those costs back to the University?---Yes, I do.

The University's intention was wasn't it that it should no longer bear the costs of the vehicle. Correct?---No, I wouldn't say that. The intention was that we were disposing of our cleaning section who used to run around a lot of the cleaning products and that during the day and with the demise of that section then we no longer required the van. And it was a cheaper option because the van was under the current lease for them to take that on instead of providing a new van.

10 So because the University no longer required the van it didn't want to pay for the van any longer. Correct?---No, that's correct.

And it wanted Quad Services to pay for the van since Quad Services was the one using the van?---Yes, yes.

And so the intention, the intention was that the cost would be bourn by Quad Services and not the University?---Yes.

20 But rather than the University break its lease it was, and incur break costs, it was cheaper to continue the lease but invoice Quad Services monthly for the cost. Correct?---That's correct, yes.

It wasn't the University's intention was it that Quad Services would then recover those costs back from the University?---Well I'm not sure because the decision on the vehicle was mine. And I'd already, I'd always made that offer that they could recover the costs. I didn't speak to anyone else within the University about it.

30 All right. I'll ask for Mr McCallum to be shown volume 3, page 166, please. Just take a moment to read that chain of emails at pages 166 to 167, please Mr McCallum. Do you see the statement made in your email to Ravindra - - -?---Yes.

- - - about the cost of the lease, that's the lease for the van - - -?---Yes.

- - - being recoverable from the University as a contract variation?---Yes.

Is that the decision you referred to earlier as being your decision?---Yes.

40 And on what basis do you say that it was your decision to allow Quad to recoup those costs from the University rather than to bear those costs?---For two reasons. It was an added cost to them that wasn't included in the contract and these, you see by the last paragraph, where they had absorbed some works that were costing us money that they'd agreed to take on themselves at no added cost.

Right. And how did, you see there also you say we need to decide the best way - - -?---Yes.

- - - that Quad could invoice back for those costs?---Yes.

How were those costs invoiced back? Do you remember?---Extra cleaning.

And why were those costs invoiced back as extra cleaning rather than vehicle costs?---It was just the, the, I didn't have a good relationship with Finance and it was just something to do, so it just made it easier for me instead of, you know, going through a three month explanation process.

- 10 All right. Is it fair to say that if Quad had invoiced the costs back as vehicle costs and an invoice bearing that description had been approved by you for payment and sent to Finance, Finance would have said why are we paying these vehicle costs, the University shouldn't be paying them. Is that right?
---Yes.

And you took the view that Finance were simply wrong about that did you?
---I did.

- 20 And rather than have that debate with them you decided to have the invoices falsely described?---That's correct.

If you were correct why not simply have the debate with finance rather than approve false invoices for payment?---It was just, it was just a matter, it was just an easier option for me. It was just, we were going helter skelter and it was just easier, an easier option.

An easier option for Quad Services also to get the amount paid quickly. Correct?---Yes.

- 30 Did you tell Quad Services that they could also charge a five per cent administration fee on top of the vehicle costs?---I don't recall that specifically. I did discuss the vehicle with them but I don't recall that.

I want to suggest to you that you did say that they could do that and that the charges back to the University reflected the vehicle charge plus five per cent?---I could have done. If I had, if I had a distinct memory I'd say yes.

- 40 Was it up to you to allow Quad to charge a five per cent premium on top of the vehicle costs when recovering back from the University?---I don't know if it was up to me but I was negotiating this at the time so I was doing it.

And as you said earlier nobody else within FMS knew about this?---Not that I'm aware of.

And how did the additional amounts for the vehicle and the five per cent administration fee, how was that handled within the budget for the cleaning contract?---There was, there was always contingencies, you know, for emergencies so it didn't impact on the value of the purchase order.

How much was the contingency in dollar terms or in terms of a percentage of the contract sum?---Oh, I can't remember specifically back in those times, but 20 to 50,000.

And is it the case that you got approved spending within that contingency without having to obtain approval from anybody else at FMS? Is that right?---That's correct. Yes.

- 10 And your signed, sorry, the invoice is signed by you as approved would be paid by Finance if they were within that contingency. Is that right?---Yes.

Did Rochelle Slade ask you some questions about what these extra invoices from Quad Services were for in about May 2009?---I believe so, yes.

And the invoices she was asking about were the monthly invoices for the same regular amount always described as external work. Is that correct?---External extra, I recall extra, yes.

- 20 And Ms Slade wanted to know what the work was that was being charged for. Correct?---Yes.

And what did you tell Ms Slade on that occasion?---That I'd approved those. That they were for me. That's all I recall.

You didn't tell her that they were in fact for vehicle charges?---I could have done. I, she used to approve all the other day to day ones, I can't, I recall having a conversation with her, I can't recall the exact wording.

- 30 Were you trying to conceal not only from Finance but also from FMS that Quad were in fact recharging the University for vehicle charges?---Probably, yes.

And why were you trying to do that?---'Cause I hadn't informed anyone.

So it wasn't just a problem with Finance was it?---No, probably not, no.

- 40 It was something that you knew you shouldn't be doing with the University's money. Correct?---No, it's something I shouldn't have done without approval, yes.

Well approval was the only problem you could have confessed and obtained approval after the event couldn't you have? Spoken to Mr Quinlan about it?---I could have done, yes.

And why did you not do that?---I can't explain that. It just, I suppose it was just a long, it had been, the process had been in place a long time, I

probably, there were so many other things going on I didn't even think about it.

It was effectively a nice little deal for Quad wasn't it, that although the University had made a decision to pass on the cost of the van, Quad could recover that straight away?---It was an agreement, yes.

10 And an agreement that benefited Quad and was to the detriment of the University. Correct?---I don't believe it was a detriment to the University, 'cause if they went out and leased their own car the cost would have been even, even higher. So that's the way I viewed it, that it was still a benefit to the University even though it was done in that manner.

You took the view did you that if the University wasn't going to provide the car then Quad would have to provide it?---Yes, 'cause we'd changed the arrangements, yes.

20 In about April 2007, you recommended to Ms Cutler of Quad Services that she look at employing Mr Turner, Bill Turner. Is that right?---That's correct.

And now Mr Turner was at that time, and still is, a friend of yours, correct? ---He is.

And at that stage he was in need of work, wasn't he, in April 2007?---Yes.

30 Did he have any prior experience in the supervision of cleaning contracts? ---He had prior - not specifically cleaning contracts but he'd had supervisory experience in both the hotel and the UNE union, the students' union at the University.

All right. When, the hotel you're referring to, that's the St Kilda Hotel, is it?---No, he'd worked at The Royal.

But no experience supervising and, and managing cleaning contracts per se?---Not specifically no.

40 And you recommended him to Ms Cutler and passed over his resume, correct?---I did indeed.

And you, did you urge her to employ him or make it clear that that's what you wanted to happen?---I, I recommended it. I didn't think the process of employing ex-cleaners into a contract of that size was actually working and we actually had done some formal contract training, a thing called Currie and Brown and, and one of the things that they taught us in that training was to look at the supervision and how it was placed and priced and that was the key to sort of services contracts.

And you recommended Mr Turner be employed as, was it in effect as an additional supervisor or - - -?---No, I don't think that, not an additional supervisor. I believe they had a, they had a vacancy for their night-time supervisor. I don't it was in addition.

Do you remember that there an additional cost over and above the contract sum of about \$12,000 a year to cover the new position?---Yes, I do.

10 Did that relate to Mr Turner's position?---No, it related, well, it did but it related in the whole, in the contract specifications we had a clause in there that they could supply either a, a working or non-working supervisor. Again, that was an error, it wasn't working have someone cleaning and trying supervising 'cause previously the, the cleaning contracts had been split but with one large contract you needed a dedicated non-working supervisor.

So if I understand this correctly, the contract allowed Quad to do it one way or the other, working or non-working, is that right?---Yes.

20 And by non-working as I understand it that means the supervisor is solely supervising and not doing any cleaning duties?---That's correct.

They're working but they're not cleaning. Is that correct?---Yes.

It became apparent to the University that having the non-cleaning supervisor, sorry, having a cleaning supervisor wasn't working?---That's correct.

30 The University in effect required Quad to increase or enhance the position so that it was supervisory only, is that right?---That's correct.

And the \$12,000 a year additional cost related to enhancing that position, that's right, isn't it?---That's correct.

And who bore that cost?---The University.

40 Why did Quad Services not bear the cost?---Because it was a variation, we were changing, we'd accepted them as the non-working and then we - sorry, as working and then we changed it to non-working.

But the University hadn't specified from the outset non-working, that's right, isn't it?---That's correct.

That had been Quad's decision when it put its tender in?---That's correct.

The University was entitled, wasn't it, to say look, the level of supervision you've provided is not working, is not sufficient, you have to (not transcribable)?---I, I, I certainly, I didn't view it that way, I, I viewed it as

that there was a change and, and, in cost on them to actually change that arrangement.

All right. After Mr Turner took the position at Quad Services he began to attend these roughly monthly lunches that you'd had with Ms Cutler from time to time, didn't he?---That's correct.

And he also treated you to lunch or drinks on other occasions, correct?
---He did, yes.

10

Did you take a particular interest in Quad's assessment of Mr Turner's work whilst he was employed there?---I think we all did. It was certainly a significant change, yes, for the, for the better.

You were interested to ensure though, weren't you, that Quad attributed that to Mr Turner and remunerated him accordingly?---I'm not sure about the remuneration but the, certainly, we, we had discussions on his performance, yes.

20

And you suggested on occasions, didn't you, that Mr Turner should be paid a bonus or given some extra benefit as a result of his performance?---I don't recall it specifically like that but certainly, we'd certainly indicated that, you know, he was certainly, had significantly changed the, the contract for the benefit of all.

The cleaning contract was for an initial term of two - sorry, three years with an option for the University to extend for a further two, is that right?---Yes.

30

And the extension if it was granted was to operate from February 2008, is that correct?---Yes.

What was the process undertaken in deciding whether or not to extend that term?---It was the, there was a clause in the contract about, basically about, your know, their, their ratings, you know they had a monthly assessment rating and, and their, and their general overall performance.

40

And was the decision made effectively by you or did you make a recommendation that was acted on by somebody else?---I would have, I, I would have made a recommendation to the director.

All right. And the director at that time was Mr Quinlan, correct?---Yes.

Do you recall being taken out for dinner by Mr Yardley and Ms Cutler for Quad Services together with Mr Quinlan on 5 February, 2008?---I remember going out to dinner, I can't quote the exact date but I remember going out to dinner.

Do you remember going out for quite an expensive dinner at around the time when the new additional tender period kicked in?---Yes, yes, yes.

I want to suggest to you that was a very expensive dinner with fine wines and the total bill was about \$850?---Oh.

Does that sound about right?---Ah, yes. I'd say yes, I've got, I don't know but it was, yes, I'll say yes, it was a - - -

10 Well, to be fair to you it wasn't just lunch at the pub. It was - - -?---No, no, no.

- - - a very nice dinner wasn't it?---Yes, yes.

And presumably you can remember some nice wine being - - -?---Yes.

- - - consumed on that occasion?---Yes.

20 That was contrary to the University's Code of Conduct wasn't it, for you and Mr Quinlan to accept that hospitality from Quad Services?---Probably, to that level probably yes.

Was that something that - did the two of you have a discussion about whether or not you should accept the invitation for dinner, was it something that was raised between you?---No, I think, it just, I think it was only arranged on the day, we knew that Andrew was coming up but we had no idea where we were going so - and again, I suppose it's just in, in, in building those partnerships we just, we'd had, we'd had a good period of time since the change in management and we were just discussing the, the
30 next two years.

The next two years were really just a continuation of the previous three years though weren't they?---Yeah, they, they were, yeah.

So do I understand your evidence correctly, despite the fact that the Code of Conduct says you must not accept benefits that might indirectly or directly impact on your official functions - - -?---Mmm.

40 - - - it was seen as quite acceptable, was it, by you to accept hospitality of this kind?---Yeah. I, to be honest, as my, as my previous response, I never gave it a thought to be perfectly honest.

And so far as you're aware Mr Quinlan also thought it was acceptable because he attended the dinner?---I suppose so, yes.

And you had no sense that within FMS that would be regarded as otherwise than acceptable, correct?---Yes.

Commissioner, is that a convenient time?

ASSISTANT COMMISSIONER: Yes. We'll resume at 11.45.

SHORT ADJOURNMENT

[11.28am]

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

MS WILLIAMS: Commissioner, I should have raised this earlier but in my submission it would be appropriate for the Commission to make an order under section 112 of the Act suppressing the address of Mr McCallum and indeed each other witness who gives evidence before this inquiry.

20 ASSISTANT COMMISSIONER: Yes. All right. Well in accordance with section 112 of the Act, I direct that the home address of Mr McCallum and any other witness who provides a home address in evidence shall be suppressed and shall not be published or otherwise communicated.

#THERE IS A SUPPRESSION OF ALL WITNESSES' HOME ADDRESSES

30 MS WILLIAMS: Thank you, Commissioner. Mr McCallum, I was asking you just before the adjournment about a dinner that you went to with Mr Yardley and Ms Cutler together with Mr Quinlan in February 2008 and I asked you some questions about the University's Code of Conduct. To attend that dinner was also of course contrary to the University's Gifts and Benefits policy. Do you agree with that?---Yes.

Was that something that you considered at the time or it simply didn't occur to you?---I didn't consider it, no.

40 Do you accept that others who might have known about you attending that dinner might perceive that receiving that hospitality could affect how you carried out your functions as Campus Services Manager in relation to Quad?---Yes.

In about March 2008, Quad Services work expanded in that they took on some cleaning work at Sport UNE facilities. Do you recall that?---Yes.

And the arrangements in place in relation to that were that Facilities Management Services would invoice Sport UNE for the services provided by Quad for those facilities. That's right isn't it?---That's correct.

Do you recall Sport UNE raising some complaints about the quality of the cleaning service with you in about September or October 2008?---There were some issues down there from time to time, yes.

Did you seek to resolve those issues on one occasion in about October 2008 by agreeing that FMS would not charge Sport UNE for two months worth of cleaning services?---Yes.

10 And was it part of the agreement that in return for that Sport UNE would cover the cost of a barbecue and bar services that it had arranged for UNE Hockey to provide to New England Rugby Union?---I can't recall specifically.

Perhaps if we go through it step by step?---Yeah.

Do you remember that you made some or you negotiated some arrangements in relation to the NERU finals matches in about August 2008? Those finals matches were held at the Sport UNE sports ground?---Yes, yes.

20 Is that right?---Yes.

And for those finals matches did you arrange or were you aware of arrangements for a bar service and a barbecue (not transcribable) provided? ---Oh, I think, yeah, I think yes, we, New England, yeah, people from New England Hockey volunteered to do the bar and the barbecue I think, yeah.

And they were, they were volunteering their labour but they were to be paid an amount for that of about \$2,000. Is that correct?---There was a fee, yes.

30 And that fee was to be paid by NERU. Correct?---That's correct.

And what I'm suggesting to you is that your agreement with Sport UNE in about October 2008 to waive two months worth of cleaning fees was contingent upon them agreeing that they, that is Sport UNE would cover that \$2,000 cost. Is that correct?---Yes, I do believe so.

And the affect of that was that NERU didn't have to pay the \$2,000 it would otherwise have had to pay?---Yeah, yes.

40 And the cleaning cost for Sport UNE was somehow absorbed within the FMS budget rather than being on charged to Sport UNE for those two months. Is that right?---That's correct.

And you gave the necessary instructions for that to occur. Correct?---Yes, I did.

And the affect of that was that the University somehow had to absorb the two months worth of cleaning charges. Correct?---Yes.

And the ultimate beneficiary was NERU?---Yes.

And you were at that time the Executive Officer of NERU?---Yes.

In fact that was a position you held from about 2005. Is that right?---
November, November 2005, yes.

Until 2011. Is that right?---That's correct.

- 10 Did you disclose to anybody else at the University that you had made this arrangement benefitting NERU?---No, I didn't.

Do you agree that that was also contrary to the University's Code of Conduct?---Yes.

And in particular it involved the use of University resources for the benefit of NERU without the University's knowledge or consent?---That's correct.

Was that something you considered at the time?---No.

20

How did you think of it at the time?---I'm really not sure, I just, I can't give a specific, I just suppose, I just viewed it as community, doing some community engagement.

Community engagement by the University?---Mmm.

Did the University have a community engagement policy?---Not that I'm aware of.

- 30 And you decided to introduce one via this method did you?---Yes.

And that wasn't agreed to or endorsed by anybody else at the University?
---No.

That was an abuse of your position wasn't it to put it bluntly?---Yes.

In about December 2009, your daughter Stephanie was looking for casual employment to cover the university summer period. Is that correct?---Yes.

- 40 She discussed this with you and you suggested that she contact Quad Services. Is that what happened?---Yes.

And she did in fact contact Mr Turner seeking work didn't she at your suggestion?---She did.

Did Mr Turner ask you whether it was all right to employ your daughter?
---Yes.

And you told him didn't you that it was okay because you weren't in charge of the Quad Services cleaning contract any more?---Yes.

Because in December 2009 you were in fact Acting Director Risk and Audit?---Yes, yes.

You did return though to your role as Campus Services Manager on about 24 December, 2009. Is that right?---Yes.

10 And how long prior to that did you know that was going to happen?---Days.

You had though hadn't you maintained an interest in the Quad Cleaning Services contact throughout 2009?---I kept in contact, yes.

You kept in contact with Quad Services. Correct?---Yes.

You continued to attend lunches with Ms Cutler. Correct?---Yes.

And Mr Turner from time to time?---Yes.

20

And you had dinner at some stage with Ms Cutler and Mr Yardley in December 2009?---Yes.

So the fact that you were not directly in charge of that cleaning contact didn't mean there was no perceived or real conflict with Quad Services employing your daughter did it in December 2009?---Sorry, could you repeat that, sorry, I missed that.

30

Well what I'm suggesting to you is the explanation you gave Mr Turner that there was no problem with employing Stephanie because you weren't in charge of the contract didn't really stand up did it given that you were still involved with Quad Services?---Well I wasn't in charge of the contract though. That statement was correct.

But they were still taking you out to lunch on a regular basis. Correct?---Yes.

40

Why were they doing that in 2009?---Oh I just suppose we, we'd formed a bond and we just caught up.

Just friends?---Yeah.

It had nothing to do with the contract?---Well they were, Chris Ipkendanz was running the contract and I, I don't ever recall him, he might have called me once or twice during that eleven months period, but that was about it.

Were they taking Mr Ipkendanz out to lunch on a regular basis to your knowledge?---Not that I'm aware of, no.

Had you told Ms Cutler or Mr Turner just before commencing as Acting Director Risk and Audit that you would still be responsible for the major decisions regarding the Quad Services contract?---Yes.

And why did you say that to them?---I didn't know how long, I'd only been seconded for a short period of time to start with.

10 Did you also say that to them so that they would continue to stay in touch with you and take you out and extend their hospitality to you?---No.

You realised though during 2009 didn't you that that was one of the reasons why they were keen to continue to take you out to lunch and to dinner occasionally?---Yes, yes.

You knew the reason they were extending that hospitality was because they saw you as someone with an influence in their contractual relationship with the University. Correct?---Yes.

20 It wasn't just because you were friends was it?---No, no.

In fact you weren't really friends at all were you? It was much more a business relationship wasn't it?---Oh, I don't know, I don't know the percentage of what business or, or, or, but yeah, I suppose it was more business, yes. I accept that.

30 Well perhaps if I can put it this way, Quad Services stopped doing the cleaning work in late 2010, early 2011?---Yes. No, it got, probably mid-2000, it all got extended, it all got, there was a lot of delays in the start up of the new contract.

But you remember that a time came when they stopped doing the cleaning work. Correct?---Yes.

Did they keep taking you out for lunch after that?---No.

So the reason they were taking you out to lunch was because of your role at the University. Correct?---Yes.

40 And the reason in 2009 was that you made it known to them that you would continue to have a role despite your new position in Audit and Risk. Correct?---Yes.

And when you told Mr Turner that there was no problem in Quad Services employing Stephanie because you weren't in charge of the contract, that wasn't quite right was it?---I don't get that one because I wasn't in charge of the contract.

Well there was a problem wasn't there with Quad Services employing Stephanie in circumstances where you had made it known to Quad that you still had an important role in relation to their contract?---But there had been, when my other daughter was employed by SNP, the University had made a ruling that there was no policy on that and they viewed no, no issue with my daughter working for a contractor. So I didn't see that as an issue at that time.

10 I see. So you thought that was a general ruling that applied?---Yes.

And that you could apply in this particular situation without further disclosure to the University. Is that right?---Yes.

Quad Services five year contract came up in, was to expire in early 2010, about February 2010. That's right isn't it?---Yes.

And throughout 2009, the University was moving to a second or a new tender for a period after that date?---Yes. Yes.

20

That was something that Quad Services was obviously well aware of. Correct?---Yes, absolutely.

Was it something you discussed with them from time to time during these lunches in 2009?---It could have been. Well it would have been on a, it would have been on a probably superficial level, not a detailed level.

30 And what sort of information might have been disclosed by you to Quad Services about this upcoming tender on a superficial level?---I suppose about the timings of when the, maybe when the documentation came out, I can't really recall because I wasn't involved in, in the issuing of that tender because I wasn't at FMS. So there wasn't much I could divulge.

Did you have any discussions with Quad Services during 2009 about what the University would be likely to be looking for or the criteria they would be likely to use in evaluating the tenders?---No. I probably, probably just said that I was probably aware that they were going to be similar to what was currently in place. I wasn't aware of any major changes, but again I was quite distant from the process.

40

The Request for Tender for that new cleaning contract was issued on 17 December 2009?---That's correct.

I want to suggest to you on 7 December 2009 you were taken out to lunch by Mr Turner?---Yes.

Do you recall having lunch with him at around that time?---Yes.

That is about ten days before the Request for Tender was issued, do you recall that?---Yes.

Do you have a recollection of that particular occasion?---Well, I don't know the exact date but it would've been, you know, we did go out and we met personally a lot of times as well outside of work so to put a specific date on it is difficult for me.

10 All right. But I'm suggesting to you that about ten days before the Request for Tender was issued Mr Turner took you out to lunch, are you able to agree with that or you don't agree?---I don't have a specific memory of that exact date, no.

All right?---I don't deny it but I'm just saying I haven't got a specific memory.

20 I understand. Accepting that you can't remember the specific date do you remember having lunch with Mr Turner not long before the Request for Tender was issued?---Quite possibly, yes.

Do you remember having a discussion with Mr Turner at that lunch about the tender?---Not really, no.

30 Do you recall any occasion shortly before the tender – the request was issued that you had a discussion with Mr Turner about the tender of any cleaning contracts?---I really can't remember specifics again because I wasn't involved, I probably only knew that the tender was going out and I was also – I can't remember the timings of when the discussions took place about myself and the role I was in and moving back to FMS, I was dealing with a lot of things there so it's a bit of a – that particular month is a bit of a blur to me I'm sorry.

Do you remember going out for dinner with Mr Yardley and Ms Cutler on 17 December 2009, the same date the Request for Tender was issued?---I remember going out to dinner with them, yes.

40 And do you remember that occasion coinciding with the release of the Request for Tender?---Not specifically, no. I knew they were in town. I can't recall specifically – I don't recall, honestly don't recall that I knew the actual date the tender was going out.

Do you recall once it did go out being informed of that at the time or do you think you became aware some time later?---I can't remember the exact timings, it was certainly – obviously when I came back on 24 December and no one at FMS expected me back, I was aware that it was out.

The dinner that I've asked you about with Mr Yardley and Ms Cutler which I'm suggesting happened on 17 December 2009, whilst you can't recall the

date you can recall an occasion around that time, is that correct?---Yes.
Yes, that's correct.

Can you recall what was discussed at that dinner?---I don't think it was
work, I think it was just a Christmas get-together.

10 You're honestly telling the Commission that although the Request for
Tender had been issued on that same date there was no discussion at the
dinner about work-related matters?---There could possibly have been but I
hadn't even seen the – I don't recall actually having read the tender that had
been issued because it wasn't prepared by – I didn't prepare it.

And you didn't read it before it was issued?---Not that I recall.

Do you remember when you did return to Campus Services you prepared a
Conflict of Interest Declaration in relation to the new cleaning contract
tender?---I did.

20 Right. I'll ask for Mr McCallum to be shown page 1 of volume 4 please.
Just take a moment to read through that please, Mr McCallum?---Yes.

You see there there are two matters you've disclosed, one being Quad
Services sponsorship of the Barbarians - - -?---Yes.

- - - and the second matter being your youngest daughter's employment with
Quad. That's Stephanie you're referring to there is it?---That's correct, yes.

30 Your statement there that Stephanie obtained the position after answering an
advertisement that's not quite right is it?---No, it's not.

You knew at the time that wasn't right didn't you?---That's correct.

So why did you make that statement in making that declaration?---I suppose
– I don't know, I shouldn't have done it.

40 You see, at the time you knew, didn't you, that you should've got specific
approval from the University in relation to Stephanie's employment with
Quad Services, you knew that in December 2009, didn't you?---No, to be
perfectly honest I refer to my previous answer because I just took the
general ruling, you know, where they – that they'd issued with my other
daughter.

Well, if that's so why did you not say in this form this is in accordance with
the ruling made by the University previously?---I don't know, I should've
done.

The reason you said falsely here that Stephanie answered an advertisement
was because you knew that the University would be displeased about

Stephanie working for them in circumstances where that hadn't been disclosed by you, didn't you?---Yes, probably, yes.

And you knew that was the case because it should've been disclosed to them before she took up the position, shouldn't it?---Yes, it should've.

So you were prepared to make a false statement in order to cover the tracks as it were, is that right?---Yes.

10 And you knew this was a serious matter making a false statement on an official Conflict of Interest form, didn't you?---Yes.

Did you take the Conflicts of Interest Policy seriously at all?---Obviously not.

There's another matter that's not disclosed here, isn't there, and that's your acceptance of Quad Services' hospital on a regular basis since 2005?
---That's correct.

20 And in particular the recent – or at that time recent dinner that you'd been treated to by Mr Yardley and Ms Cutler on the date that the Request for Tender was issued?---Yes.

Those matters should also have been disclosed shouldn't they?---Yes.

You understand, don't you, that anybody who was aware of those dinners occurring and being paid for by Quad Services may well form the perception that you would be inclined to act in favour of that company, don't you?---Yes.

30 And you knew that at the time?---Yes.

And in fact you were disposed weren't you to act in favour of Quad Services as a result of all of the hospitality they had extended to you over the four year period?---In what year?

As at December 2009 - - -?---Yes.

40 - - - and January 2010 when you completed this form at page 1 - - -?---Yes.

- - - you had been enjoying Quad Services' hospitality on a regular basis for five years, almost five years, correct?---Yes.

What I'm suggesting to you is that that disposed you to act in favour of – or made you more inclined to act in favour of Quad Services when you were making decisions relating to the cleaning contract?---Yes, I'd say yes.

You agree with that?---Yeah.

Were you conscious of that at the time or it's just something you accept now with the benefit of hindsight?---I probably was conscious of it at the time.

And why was it that you were prepared to continue that situation where you received hospitality and you were conscious that you were inclined to act in their favour?---I still believed that we were doing good deals for the University. That was my rationale.

10 It was also a good deal for you, wasn't it being treated to lunches and dinners?---Yes.

That was also a motivating factor wasn't it?---Yes.

And the deals that you were able to do for NERU, the \$2,000 cost saving that was also a motivating factor, wasn't it?---Yes.

Those things weren't of any benefit to the University were they?---No.

20 The Tender Evaluation Committee for the cleaning contract - - -?---Yes.

- - - to commence in 2010 comprised yourself, Ms Slade, Rochelle Slade, is that right?---Yes.

Chris Ipkendanz?---Yes.

30 And Mr Munro, was he also involved?---Not – I don't think he was involved but not in the tender – no, I'm trying to remember, probably that one, yeah, because there was – sorry, there was about three different processes that year so I've got to recall.

To assist you this evaluation process occurred between January and March 2010?---Yes. Yes. Yes. Yes.

Was Mr Munro the Acting Director of FMS at that time?---Yes. Yes.

And was he part of the evaluation committee or was he the person to whom the committee had made a recommendation?---We would have made the recommendation to him as, as Acting Director.

40

Right. And was Mr Ross Williams also a member of the Tender Evaluation Committee?---I'm trying to remember whether he was on that one or not. Yes, he was.

And he was from finance. Correct?---That's correct, yes.

So he was the only person from outside of FMS involved in the process. Is that correct?---In that one, yes.

Whose decision was it to involve Ms Slade in the tender evaluation process?
---That would be mine.

Right. And- -?---And, sorry, I can't comment whether she'd been asked previously where they'd set up people before I came back.

Right?---But certainly when I came back I involved her.

10 Right. So whether she was previously involved or not, you continued that involvement?---Mmm. Yes.

Ms Slade had been employed at Quad Services until about May 2009, hadn't she?---That's correct.

And she'd been the night cleaning supervisor- -?---Yes.

- - -at UNE?---Yes.

20 Is that right?---Yes.

So she had supervised the night cleaning work on behalf of Quad Services at UNE?---Yes.

And why did you, I'll withdraw that. Did you consider that those circumstances gave rise to an actual or potential conflict of interest for Ms Slade?---I think I asked her to fill out a conflict of interest form.

30 All right. But just going back a step, was that because you thought there was an actual or a perceived conflict?---No, no, I didn't. I believed that she had, that she would just make an honest assessment and she was the only one being heavily involved in the day-to-day cleaning.

Whilst you believed that, did you understand that others might perceive that she would be inclined to favour her previous employer?---Ah, yes.

Or alternatively that she might be inclined to disfavour them- -?---Yes, yeah.

40 - - -depending on- -?---Yes.

Right. Is that what you understand to be a perceived conflict of interest?
---Yes.

And you understand and you knew at the time, didn't you, that that was something to be avoided?---Ah, or flagged, yes.

How, how does flagging it solve the problem per se?---Well, I just, well, it just, it put it out there, but I, even though there could have been a perception that really she was the only person in a position to sort of do some of the work on the assessment.

All right. And what was the work that she was the only person able to do? ---Really the cleaning hours, she had an intimate knowledge of the hours required for cleaning, individual cleaning.

10 All right. Well, we'll come back to that in a moment, but if you can turn, sorry, I withdraw that. Ms Slade's conflict of interest declaration was in the same format as prepared by you at page 1, was it?---Yes.

And so she filled a form disclosing her previous employment?---Yes.

Were any other steps taken to manage the conflict of interest, apart from her filling in that form?---Well, there was, obviously there was a panel so she was just part of that process so any sort of recommendation would have to be agreed upon by other people as well.

20

Did you give her a specific instruction not to have any contact with anyone from Quad Services?---I did.

And was that part of your way of managing the perceived conflict?---Yes.

And in view of that instruction, why was it that you considered you were able to have contact with Quad Services for example at the dinners in December 2009?---I can't, I can't answer that, I'll just say I just shouldn't have I suppose, I think.

30

It would have been apparent to you at the time that you were dealing with Ms Slade's situation that your own position- -?---Mmm.

- - -was precarious, wouldn't it?---Yes.

As contrary to the code and the conflict of interest policy?---Yes.

And yet you still didn't declare the position in your own declaration. Correct?---No.

40

Coming to the question of the hours that you referred to as having been worked on by Ms Slade- -?---Yes.

- - -one of the university's assessment criteria was whether or not the tenderer provided an estimated time for the cleaning services- -?---Mmm.

- - -that accorded with the university's view of how much time would be required. Is that correct?---That's correct.

The university developed a list of hours per week at benchmark- - -?---Yes.

- - -times that it considered would be required to clean each area properly.
Correct?---Yes.

And particular weight was given in the assessment process to whether a tenderer came in with similar hours or vastly different hours. Correct?
---Yes.

10

And that's because the university was primarily interested in a good job being done. Correct?---Yes.

Wanted value for money, but not if it was a substandard service. Is that right?---That's correct.

And it was Ms Slade who developed the university's benchmark hours. Is that right?---That's correct.

20

Were the benchmark hours developed by her on your instruction, did you ask her to do them?---I'd say yes.

You don't recall that, but that's likely. Is that right?---Oh, look, I would have, I, I'm pretty sure I did. As I say, the only thing I can reiterate was, in that period I'm still getting back from getting a few days' notice of changing positions and things like that so it was a, a very difficult people for the, period for everybody.

30

Yes. Do you recall receiving the benchmark hours prepared by Ms Slade when she completed them?---Yes.

And were you aware at the time of how she'd gone about preparing those hours?---From her experience I believe, I recall.

And that was her experience working with Quad or UNE or both?---With, with, with both.

40

Were you aware whether she used any particular documents or information that she had either in her possession or in her mind from working at Quad?
---Ah, no, I think it was just, just, as I say, just her experience.

Could Mr McCallum be shown volume 1, please, at page 114. Do you recognise that document that's now on the screen, Mr McCallum, as being the benchmark hours prepared by Ms Slade for the university?---Yes.

I'm sorry, have you got that in hard copy or just on the screen?---No, just on the screen.

And what's the volume that you have in front of you at the moment?---4.

Right. I'd ask for Mr McCallum to be given volume 1 at page 114 and at the same time, volume 3 at page 317 and volume 4 may be handed back. Mr McCallum, while those documents are being turned up for you- - ?
---yes.

10 - - -did you have any communications with anybody from Quad Services about the university's benchmarks and what those benchmarks were before Quad submitted its tender?---No, not- - -

You're quite certain you had no communication about that at all with Quad Services?---I have, I have no recollection of making, and I'm certain I wouldn't have actually gone, I briefly looked at the hours and handed them back or- - -

20 Right. So you were shown the hours you think before tenders came in?
---Yeah, could have been in the, in the, later in January. I know, I know Michelle spent quite a deal of time putting them together so I can't remember the specific time that I saw them.

And you were conscious, weren't you, that's there's quite a lot of detail goes into preparing the estimates. Correct?---Yes, yes.

The estimates are a set number of hours per week over the course of a whole year. Correct?---Yes, yes.

30 And that's for each specified area on the list that appears at volume 1, page 114 and page 115. Correct?---Yes.

And what I'd like you to do if you can, please, is whilst keeping the volume 1 open at page 114, can you open up volume 3 at page 317?---Yes.

And do you recognise that as the schedule to Quad's tender submitted on 22 January, 2010?---Yes.

40 And that being the section of tender in which Quad Services nominates the number of hours per week that it proposes to take to clean each of the nominated areas. Correct?---Yes.

If you have a look on page 114 about a third of the way down the page, do you see a number of hours per week for a building coded C031, the Dixon Library?---Sorry, how far?

About a third of the way - - -?---Oh, yes, yes.

- - - down the page?---Yes.

Do you see that? 47.36 hours, do you agree?---Yes.

Do you see on page 317 of volume 3 four lines from the bottom, exactly the same number of hours per week - - -?---Yes.

- - - estimated by Quad Services?---Yes.

Do you see on page 317 of volume 3, four lines from the bottom exactly the same number of hours per week - - -?---Yes.

10

- - - estimated by Quad Services?---Yes.

It's extraordinary, isn't it, that the two estimates would come up exactly the same between FMS and Quad Services?---Yes, it is.

I want to suggest to you that that's happened not just once but on six occasions, that is there are six buildings for which the number of hours estimated by FMS are exactly the same as the number of hours estimated by Quad Services. Do you recall there being a number of those instances where you evaluated (not transcribable)?---Oh, the, the only one I recall is the, the grandstand.

20

All right. Well, we'll go through the others. Do you see on page 114 about two-thirds of the way down the page, the Earth Sciences building, code C002?---Yes.

15.73 hours?---Yes.

And on page 13, sorry, page 317 of volume 3?---Yes.

30

That same building being the first item in the central buildings table?---Yes.

Again 15.73 hours per week. That's the second extraordinary instance, isn't it?---Mmm, yes.

If you look at page 115 of volume 1, building number CN01, the CB Newling building, it's the first item in that last group of buildings listed on page 115, do you see that?---Ah, yes.

40

32.45 hours?---Yep.

And do you see exactly the same figure per week at page 317 of volume 3, the first building in the CB Newling buildings table?---Yeah.

I'll take you to the fourth instance now, page 115 of volume 1, the second building on that page, Faculty of Education and Health, 30.37 hours, do you see that figure?---Yeah.

And do you see exactly the same figure at page 318 of volume 3, being the second building in the eastern buildings table?---Yes.

Again, page 115 of volume 1, the last building under the run 10 list, about a third of the way down the page, W055, Resource Management building?
---Yeah.

24.03?---Yes.

10 And do you see exactly the same figure at page 320 of volume 3, the second-last item on that page?---Yes.

And finally, page 115, the third last item, the Bellevue Sports Grandstand?
---Yes.

That's the one you're aware of, isn't it?---Yes.

And that's 18.23 hours, the exact same figure which appears at page 319 of volume 3, correct?---Yes.

20

Now, it really is extraordinary for there to be exact figures between FMS and Quad in so many instances, isn't it?---It is, yes.

The likely, the most likely explanation is that Quad somehow had FMS' figures, isn't it?---I'm not surprised with the grandstand because that was one that was ongoing and we kept arguing the toss over the hours to clean so something like that was ongoing but for the other, the other five it is extraordinary, yes.

30 Now, the grandstand, you think the correlation might be explained by the fact that there were ongoing negotiations between the University and Quad about that particular building?---Yes, yes.

That's because the grandstand was relatively - - -?---Yeah.

- - - new as at December, 2009 wasn't it?---Yes.

When was it completed roughly?---It would have been, I don't know the specific date - - -

40

All right?--- - - - but I know, but there was ongoing stuff about how long it took to clean and the pre-cleans and whatever.

All right. So in relation to that particular building you expect that Quad Services would have had a pretty close idea of how long it was taking them because they would have been playing close attention to it, correct?---And there would have been an agreement on the - 'cause it was an add-on to the sport UNE stuff it would have been an agreed, an agreement of the costs.

I want to suggest to you that the, the figure of 18.23 hours per week for the grandstand was in fact an error in the FMS benchmark hours prepared by Ms Slade. Do you recall becoming away of that at any stage?---Yes, yes, I have been made aware of that, yes.

And the error was that in fact it wasn't 18.23 hours a week but something more like half that because the cleaning was required to be done fortnightly, that's correct, isn't it?---I can't recall the specifics.

10

It was a significant error though, wasn't it, that it resulted in the hours per week but significantly overstated in the FMS internal benchmarks?---It was an error, yes.

It wasn't a minor calculation error, it was significantly overstated, do you agree with that?---yes.

20

And how then did Quad Services come to repeat the same erroneous figure in its tender at page 319 of volume 3? Have you got any explanation for that?---No, no, I haven't. If I - and as I have on all occasions if I could actually recall I have no compunction with saying that I did something but I, I genuinely can't recall.

30

What I want to suggest to you is that the most likely reason for the correlation between FMS and Quad Services on the grandstand figures is not in fact that Quad Services had been negotiating that figure with the University but rather that Quad Services had FMS' benchmark figures and they have replicated them including the error relating to the grandstand? ---As I, well, I have to, I've got no option but to agree but as I say, I have no - - -

But you, you personally have no knowledge about how, Quad Service might have come in - - -?---Oh, I, I can't recall anything in that regard in that period.

And it's likely, is it, that you would recall if you had given these figures to Quad Services?---If, if, well, if, I, if I could recall then I'd admit to it, yes.

40

Do you know whether anybody else at FMS might have given these figures to Quad Services prior to it submitting its tender?---Not that I'm aware of.

ASSISTANT COMMISSIONER: Just so I can understand your evidence - - -?---Yes.

- - - as I understand it you're not saying that you definitely didn't give the figures over, you're saying you can't recall it?---That's correct.

And if you did recall it you'd admit having done it?---Yes, that's correct, Commissioner.

So is the effect of that it's possible you did hand over the figures?---It, it, yes, well, it has to be yes.

Well, there would seem to be no explanation for their repeating the error except that they did have access to the benchmark figures. I think you've agreed - - -?---Yes.

10

- - - you can't think of any other explanation anyway?---That's correct, Commissioner.

And, and the highest you can put it is it's possible that you gave them the figures but you can't recall?---Yeah, I can't recall specifically doing it, no.

Thank you. Yes, Ms Williams.

MS WILLIAMS: Thank you, Commissioner.

20

Both those volumes might be handed back now. Mr McCallum, you referred in your conflict declaration in January 2010 to Quad's sponsorship of the Barbarian's rugby team?---Yes.

That was a team that operated under the umbrella of the New England Rugby Union competition, is that right?---That's correct.

30

And Quad came to sponsor that team at your suggestion or your request, how did that come about?---The, as I've stated previously my recollection is that they knew I was aware of rugby union and also were looking to do something for students and get their profile out there and, and then I made the suggestion.

All right. And in 2010 did you make the suggestion that rather than make the sponsorship payment directly to the Barbarians, Quad Services pay their sponsorship amount to NERU? Is that correct?---That's correct.

The sponsorship amount was about \$3,000 per year?---That's correct.

40

And as a result of Quad Services paying that to NERU rather than to the Barbarians, you received 10 per cent of that \$3,000 amount. Is that right? ---That's correct.

And that was something you received from NERU?---Yes.

Was that something that you told Quad Services about?---No, I didn't.

So they weren't aware of your benefit- - -?---No.

- - -in that regard? I've asked you previously about your regular lunches and the occasional dinners with Quad Services?---Yes.

I want to suggest to you that the Commission's analysis of Quad Services' records in relation to entertainment expenses indicates that you were taken to lunch or dinner on no less than 57 occasions between 2005 and 2011. Do you accept that that's likely to be correct?---Yes.

10 From time to time Mr Turner would also provide cartons of beer to FMS for Friday afternoon drinks. Is that correct?---That's correct.

And that was provided at the cost of Quad Services. Correct?---That's correct.

Was that something you requested to be done or was offered and you accepted?---I think it was a bit of, a bit of both sometimes.

20 So sometimes it was suggested to Quad or to Mr Turner that this should be done. Is that right?---Yes.

Was it you who made that suggestion?---Yes.

And why, why was that done?---Oh, just, I just, you know, used to have a beer of a Friday and if we could, you know, it was just handy if we could get some, someone to provide a beer.

30 Did this reflect a general culture at FMS, that it was a good thing to be provided with entertainment, lunches, dinners, Friday afternoon drinks by contractors wherever possible?---I don't know whether it was a general culture but, you know, certainly some of us went out more than others. It wasn't general.

Was that your attitude, that it was a desirable thing to be wined and dined and provided with alcohol by contractors as much as possible?---Not so much as much as possible, but it was desirable, yes, I would accept that.

40 If someone else would bear the cost of that rather than you, that was desirable. Is that right?---Yes.

And that was an attitude shared by others at FMS to your observation? ---Only on occasions, not on- - -

Did anybody at FMS ever pull you up and say, you shouldn't be doing this, why are you doing this, it's not appropriate?---Oh, I don't think anyone was aware as to the level of entertainment I was receiving.

Others at FMS would have been aware of who was providing their beer for Friday afternoon drinks, wouldn't they?---Yes, not on all occasions, but yes.

And on the occasions when they were aware, nobody suggested to you that it was not appropriate or it should be done differently?---No.

Quad Services also contributed to Melbourne Cup Day functions at the St Kilda Hotel attended by you and other FMS staff. Is that right?---That's correct.

10

And that would have been known not only to yourself, but to the other staff present. Is that right?---Yes.

They would have been aware that Quad Services was paying money for that?---Yes.

And again on those occasions nobody suggested to you that this was inappropriate in any way?---No.

20

Is it fair to say then that the Code of Conduct and the Gifts and Benefits Policy were flouted openly at FMS in relation to these Friday afternoon drinks and Melbourne Cup functions?---The, well, I suppose the, I don't know how to, I'd like to split the two up. Melbourne Cup was a specific event where I am unsure that, that, how many people know of the, the, the level of, you know, support that we got on that day, but certainly if someone offered us a carton of beer for Friday afternoon drinks, we accepted those.

30

I think you said earlier though that those present from FMS at the Melbourne Cup Day functions would have been aware that Quad Services was paying money?---Look, yeah, they would have been aware, but yes, I don't think they knew the amount or, or whatever, I'm unsure of that.

All right. Did they have to put their hands in their own pocket or was the whole Melbourne Cup event sponsored by Quad and other contractors? ---Oh, no, we all, no, there was, there was, no, there was, there was a set amount we certainly had to contribute.

40

Did you tell Mr Turner at any stage not to entertain other FMS staff in terms of lunches, to, to limit it to you?---I believe so, yes.

And why did you give him that instruction?---Again that was just a way of my managing things I suppose.

Sorry, how was that managing things?---I suppose I didn't want them to get into trouble, I suppose.

So you knew that it would be inappropriate for them to go to lunch with Mr Turner at Quad Services' expense?---Mmm.

And you didn't want them to get in trouble for that?---Yes.

So you were well aware that your going to lunch with Mr Turner at Quad's expense was something that could get you into trouble?---Yes.

10 Weren't other staff at FMS aware that you were doing this, didn't they see you down at the pub from time to time with Mr Turner?---Yes, but the, we went, for a period of time we went every Friday, sometimes, you know, a lot of times personally, sometimes at different tables, sometimes together, so it was not an unusual occurrence and I don't- - -

Was there one rule for you and one rule for everybody else at FMS in terms of accepting contractors' hospitality?---Probably, yes.

20 Do you remember having lunch with Mr Turner on the same day that Quad submitted its tender for the new cleaning contract in January 2010?---My recollection of that was it was the Friday before, it might have been, I don't remember it on the, on the day the tenders were accepted because normally we're sitting around waiting to receive them. My recollection it was the Friday before.

All right. So the Friday before Quad puts its tender in- - -?---Yes.

- - -you have lunch with Mr Turner. Correct?---Yes.

Mr Turner at that stage is working for Quad. Correct?---Yes.

30 And Mr Turner paid for lunch presumably?---Yes.

So Quad Services was paying for lunch in effect?---Yes.

And you knew that at the time?---Yes.

40 You knew that that was a clearly inappropriate thing to do in terms of creating an actual or perceived conflict of interest, didn't you?---At that, on that day I had actually been stood down verbally from being involved in the contract period, in the contract assessment and, and in fact I believe that if that was the case then my position was in jeopardy because that took out a significant part of my job.

Right. Who had stood you down from that tender process?---Brian Munro, the Acting Director, had called me into his office and said that he'd been advised by executive management that I was to take no part in the tender assessment and it was just verbal, there was no, and he just said because of ongoing issues.

Right. And is that something you discussed with Mr Turner at lunch on the Friday before the tenders were submitted?---Yes, I was, I was visibly upset.

And what else was discussed at lunch with Mr Turner on that day in relation to the cleaning contract?---That was about it really, I was, had the, I was very bitter and upset.

Did you, you were aware at that time of what the university was looking for in the tenders. Correct?---Yes.

10

And you'd seen the benchmark hours that Ms Slade had prepared?---Yes.

Did you have a copy of those?---No, I didn't carry much paperwork, no.

Right?---I had a copy but I didn't have a copy- - -

Did you provide them to Mr Turner, given that you were feeling upset with the university standing you down from the tender assessment process?---No, there would have been no value for him on that day because all the tenders were, I suppose the tenders would have been coming in, but I don't, don't recall doing it. I remember being, just being absolutely upset with the world, that's my- - -

20

I think you said Quad Services hadn't yet submitted its tender at that time - - -?---Oh, well, they- - -

- - -it was the following Monday?---Yeah.

So just think back carefully and I understand you were upset?---I am thinking back, I honestly am.

30

All right?---My sole recollection of the day was the, the fact that I had been stood down verbally with virtually no reason.

And despite feeling upset with the world and with the university about that, you don't think that motivated you to provide the university's benchmark hours to Mr Turner?---No, 'cause, 'cause I, my recollection is that I did go to the St Kilda but Bill was already there. I don't remember specifically phoning him up and saying, I'm off it. I certainly told him when I got there but yes, that's my, my recollection.

40

So it wasn't pre-arranged, but nevertheless Bill Turner and therefore Quad Services paid for the lunch. Correct?---Yes.

You were subsequently reinstated to that tender process. Is that right? ---I was.

And when did that happen?---On the Monday.

Right. And did you have any understanding about why the decision had been changed or you had been reinstated?---Well, obviously they hadn't followed any HR procedure in the standing down so, which I pointed out on the, on the Friday, so they obviously reconsidered and Brian informed me on the Monday that I was, you know, back in on the assessment.

10 What did you think were the reasons for you having been stood down in the first place?---I wish I'd known. I'd come back from – I'd been asked to voluntarily step down from the previous position as Acting Director and I was virtually given no reasons, when I came back to FMS there was one file of mine left, all my files had completely disappeared so there wasn't even copies, they were just all vacant spaces.

So some sort of internal paperwork movement then. Did you understand you were being investigated in some way?---I made that reasonable assumption but no one – certainly no one told me anything.

20 Did you have contact with any other tenderers for the 2009/2010 cleaning contract other than Quad Services?---Not that I recall.

It must've occurred to you at the time didn't it that at least one possible reason for your being stood down on the assessment of that tender was your contact with Quad Services?---I believe it related to my being stood down from the Director's position.

30 Right. It didn't cause you to exercise any caution in terms of your future conduct with Quad Services?---Yes, it did, there was a period of time there, and it all got very waylaid but for a period of time there I didn't go to lunch or whatever, I restricted myself from that because - - -

How long was that period of time roughly?---At least a month, possibly two.

And the interviews of potential – sorry, I'll withdraw that. The interviews of tenderers - - -?---Yes.

- - - for the new cleaning contract they were held in early March 2010, do you recall that?---Yes.

40 And by that stage you were well and truly involved in the process again, correct?---Yes. Yes.

And you participated actively in the questioning of the tenderers at those interviews?---That's correct.

And one of the key subjects of questioning was the benchmark hours for cleaning - - -?---Yes.

- - - versus the hours submitted by that particular tenderer?---Yes.

And did you arrange to have lunch with Ms Cutler in about March 2010 to inform her about the tender process and what was happening?---No, no, I remember that we did have lunch but because the process was being dragged out I did inform her that I could only talk about current issues not the tender process.

10 So you weren't able to discuss the tender process with her at all, is that your evidence?---That's correct.

That particular tender was subsequently cancelled by the University wasn't it (not transcribable)?---That's correct.

Were you made aware of the reasons for that at the time?---No.

And a fresh tender was carried out in about August and September 2010, is that right?---Yes, I can't remember the specifics but, yes.

20 And in the interim Quad Services continued performing under their old contract, is that right?---That's correct.

It was effectively extended to cover that period, is that right?---That's correct, yes.

Do you recall being taken to dinner by Mr Yardley and Ms Cutler in July 2010 just before the start of the new tender process for the new contract?---I recall going out, again, the dates elude me but, yes.

30 All right. Putting the precise dates to one side - - -?---Yes.

- - - to you recall having dinner - - -?---Yes.

- - - with them at about the time that the University was about to embark on this fresh process?---Yes.

So your experience in January 2010 of being stood down from the tender assessment process didn't cause you caution in being entertained by Quad Services for very long did it?---No.

40

What did you think that Quad Services expected from all of this entertainment that they were providing you with?---I suppose a good working relationship.

And favourable treatment from time to time when decisions had to be made?---I'd have to say yes. I mean if you have that good personal relationship there's flows and troughs.

Accepting all of this hospitality had the effect of undermining your objectivity and independence didn't it?---I don't believe so. A tender period – I believe that, you know, because there was always panels and a myriad of other people looking at it they all went through.

But in relation at least to decisions that you might have to make from time to time in administering a particular – the cleaning contract - - -?---Yes.

10 - - - it undermined your objectivity and your independence didn't it?---It could have that effect, yes.

Mr McCallum, I'm going to move on to a different subject now and ask you some questions about SNP?---Yes.

SNP started performing security services at the University in November 2005, is that correct?---That's correct, yes.

And that was again following a tender process - - -?---Yes.

20 - - - in which you participated?---Yes.

In relation to that particular tender process you conducted the evaluations of the various tenders received?---That's correct, yes.

And you made the recommendation to your Director at the time Mr Quinlan - - -?---Yes.

- - - to award the contract to SNP, is that correct?---That's correct.

30 Was anybody else involved in the tender evaluation?---No.

Was anybody else involved in reviewing the process outside of FMS?---No.

Nobody from Finance on this occasion?---They look at the – they go through the recommendation report at that stage but not prior to that stage, no.

40 And was that the typical level of involvement of Finance, they would review the recommendation report, is that right?---Yes.

And if they had an issue with that report how would they raise that?---Probably going back through the – either with myself or the Director or Deputy Director.

Right. But apart from that involvement the tender evaluation and the decision rest with FMS, is that right?---That's correct, yes.

And the price agreed between the University and SNP for security services included an amount, didn't it, for a seven-seater vehicle, correct?---That's correct.

And that vehicle was used to transport students around the campus safety at night time, correct?---Yes.

Because it's a very large campus, isn't it?---Yes, it is.

10 About 110 hectares all up?---Yes. Yes.

And two separate geographical locations within Armidale, correct?---Yes.

And the security services covered both locations?---In the end, yes, initially it was just the main campus I believe. There was a shift at CB Newling, yes.

So there's the academic campus, correct?---Yes, the residential.

20 And the residential?---And CB Newling.

And what was CB Newling?---That was another site in town in the centre of Armidale.

All right. And initially the security services were provided to the academic campus and CB Newling, is that right?---Yes.

And they were added to the residential colleges at some stage?---No, no, no, they were always involved – sorry, they were always involved with the residential, we just viewed that as one - - -

30

I see?--- - - - part of the security contract.

But three separate physical locations within Armidale?---Yes, yes.

All right. And the seven-seater vehicle was also used during the day for security officers to respond to any emergencies?---Yes.

Is that right?---Yes.

40

And they also needed to respond to any first aid events, is that correct?---Yes.

That was part of their contract?---Yes.

And they responded to any alarms that went off?---Yes.

So they monitored the alarm system?---Yes.

The invoices from SNP for these services would be sent to you once a month, is that right?---That's correct.

And there would be a pro forma invoice describing security services with a lump sum amount, is that right?---Ah-hmm.

And then would you typically receive a breakdown, a separate document showing some breakdown for those services?---Yes.

10

You were the person responsible for approving the invoices for payment, is that right?---Yes.

Was anybody else involved in that process or just you?---No, it was only me.

And how would you satisfy yourself that the invoice was appropriate for payment that the work had been done?---Well, you basically could remember whether there had been any extra services, so you had the standard monthly account and you'd basically remember if there had been any additions and you'd just check on those hours.

20

All right. And the standard amount was broken down typically wasn't it into security guards, alarm monitoring, vehicles?---Yes.

And then you would have separate itemised amounts for additional work, is that right?---Yes.

And was there another University supervisor reporting to you who was supervising the operational side of the contract or you were the sole - - -? ---Not at that stage, I was the sole person.

30

Right. So you would sign the invoices, approve the payment and send it to Finance, correct?---Yes.

And they would then arrange payment?---Yes.

Was that the way in which you typically approved invoices for payment across contracts? If we go back to the cleaning contract, for example, for a moment you would have in your mind whether or not there was additional work or what was (not transcribable)?---No, no, no, with the cleaning contract I used to approve the monthly set contract fee invoice and then Rochelle would have all the work orders and she'd go through the additional works.

40

I see. So she would check the additional works and sign off on those?---Yes.

And would you then approve the whole of the invoice for payment once she had signed off on that portion? Is that - - -?---No, no. She just put - - -

So she, she was the approving signatory for that part of the work?---Yes.

I see. And in relation to the invoices for external work or external cleaning that I asked you about earlier that were in fact to recover the vehicle costs - - -?---Yes.

10 - - - those were invoices that Rochelle was required to approve (not transcribable)? Is that right?---No, no, I did those.

All right. So you did those ones?---Yes.

In about February 2007 the University issued a request for expressions of interest to provide mail services. Is that right?---Yes.

The University was looking to outsource its mail services at that stage? ---That's correct.

20

This was also a closed tender I take it, not publicly advertised?---That's correct.

And SNP were amongst the companies invited to submit an expression of interest?---Yes.

They had no prior experience in mail services at that time did they?---That's correct.

30 And why were they invited to submit an expression of interest?---They were already on site so they had the, the site knowledge which was the key in delivering the mail around campus.

And was it also because Mr McLean of SNP had indicated to you that the company wanted to expand beyond security services?---I had spoken to him about it, yes.

40 SNP's expression of interest came in, I'll go back a step and withdraw that. You, the University received two complying expressions of interest didn't it?---Yes, it did.

One was from SNP?---Yes.

The other was from Australia Post. Correct?---That's correct.

Do you recall SNP's price being significantly higher than Australia Post?---I recall there being a gap, yes.

A gap of almost \$100,000, does that sound right?---That's it, yes.

I want to suggest to you that SNP's price in its expression of interest was approximately \$363,000 and Australia Post submitted two alternatives, the higher of which was \$269,000. Does that, those figures ring a bell with you?---Yeah, yes.

The, you evaluated the two expressions of interest. Correct?---Yes.

10 Anybody else at FMS involved in that or just you?---I was trying to recall whether Greg Fisher, the mail room supervisor was involved, but that was all bit touchy because we were offering involuntary redundancies to that section so - - -

I see. Can Mr McCallum be shown volume 6 at page 93, please, page 93 to 97. Do you see there a report that was prepared after the expressions of interest were received?---Yes.

20 And do you see on page 97 your signature under the, under point 7, Recommendation?---Yes.

And that's your recommendation that FMS go to invited tenders?---Yes.

And the two companies who are to be invited to tender were Australia Post and SNP. Is that right?---That's correct.

30 And does that document jog your memory as to who else if anybody was involved in evaluating the expressions of interest with you?---Yes it does, I think when it came to the, I remember mail services cost, Greg Fisher, the mail supervisor put that together for me.

Is that the document at page 98?---I believe so, yes.

All right?---Yes, it is.

And do you see on page 93 the prices submitted by Australia Post and SNP Security that I referred to earlier?---Yes.

40 And you had some meetings, sorry, I'll just go back a step and withdraw that. Do you see at page 94 you refer there in the first paragraph to the figures including salary, staffing overheads and fleet vehicles, page 94, the first paragraph?---Yeah, yes.

I'll just get you to read that to yourself. The affect of that paragraph that the figures submitted by SNP and Australia Post included a figure for fleet vehicles - - -?---Yes.

- - - to provide, and those vehicles were necessary to provide the mail services. Is that right?---And stores. There was two completely different sections.

And the stores section was subsequently withdrawn from the work that was being tendered for?---That's correct.

I see. Was this report, I'll withdraw that. You had some meetings in Newcastle with SNP and Australia Post representatives in the end of March
10 2007. Do you recall that?---That's correct. Yes.

Was this report prepared before or after those meetings? I can't see a date on it?---I'm sure it would have been after because I was advising them that, they would have been advised they were going to tender, but they, I believe they both misread the scope, that's why the figures were so high.

All right. And in what way had they read the scope? What was your understanding?---For the amount of the labour content and we were also
20 formally advising them that we were formally withdrawing the stores component which took out a truck and a forklift and a number of hours per week from, from the tender.

And in what way had they misread the scope in relation to the labour component? Was there some particular section of the request for expressions that was confusing?---Yeah I think, yeah, there was, I'm trying to recall the exact, the exact bit, but it certainly, I think they, there was something that they overestimated and I advised both of them of that accordingly.

30 And both tenderers or both companies you say made that same mistake. Is that right?---Yes.

And that was one of the purposes of the meetings in March 2007?---Yes.

All right. And did Australia, Australia Post didn't reduce their price as a result of being made aware of that error did they?---No, they didn't.

Why was that?---I don't know. I spoke to one of their representatives after that and I can't, I don't, I don't know their internal processes for submitting
40 a tender, but he was bemused himself that they hadn't made that adjustment.

All right. And SNP did following those discussions with you reduce their price by approximately \$83,000 didn't they?---That's correct, yes.

All right. And that's the figure is it, that's what you make reference to at the bottom of page 94 and going over to 95 of volume 6?---Yes. So the meetings would have been held prior to this report being issued I'd say by that, to answer the previous questions.

All right. And then at pages 99 and 100, do you see there copies of letters that you, a letter that you issued to each of Australia Post and SNP clarifying various aspects of the work to be tendered for?---Yes.

Was there a formal request for tender issued or this document was issued as, as a, to compliment the expression of interest document?---No. No, there was a formal request for tender issued.

10 MS WILLIAMS: Sorry, there was, was there?---Yes, yes.

Okay?---Because that's, that's the addenda to it.

All right. But this in any event clarified certain aspects of what was to be tendered for?---Yes.

Including that in point 4 a mail delivery van was to be included in the costs? ---Yes.

20 So although the stores aspect of the work had been removed there was still one mail delivery van required, is that correct?---Yes, yes.

Commissioner, is that a convenient time?---Yes.

ASSISTANT COMMISSIONER: Yes. We will resume at 2.00.

MS WILLIAMS: Thank you, Commissioner.

30 **LUNCHEON ADJOURNMENT**

[12.59pm]