



Tasmanian Audit Office

Case Studies about Public Sector Corruption

Mark Eady

Executive Manager Corporate and Community Services

Derwent Valley Council

I·C·A·C

INDEPENDENT COMMISSION
AGAINST CORRUPTION



Case Studies: Public Sector Corruption

Mark Eady
former Principal Officer ICAC

Case Studies

- Burwood Council
- University of New England (Armidale)

Operation Magnus

- Work on the driveway of the GM by Council staff
DPP – Misconduct in public office – remove/use docs
- Council staff working on units owned by GM/Becerra/Councillor
- Surveillance of work colleague of GM's wife (C)
- Creation of photograph of GM's wife with work colleague (C)
- Home security system for GM (C) and Mayor
- Surveillance of non Labor candidates (C)
- Employment of Becerra as in house Architect (C)
- Additional \$41400 to Becerra for Council work (C)

Magnus (continued)

- Expenditure by GM at Cafes and Restaurants
- Weekly claims for child care by Mayor
- GM Motor Vehicles – Honda CRV(C) and Audi A6
- Salary packaging for car purchase option
- Placement of law firm on Council panel
- Reprisal action against Council Director (C)
 - Includes issues about the management of complaints against GM and his involvement in directing actions despite 'Chinese Wall' delegations to other Directors
- Reprisal action against staff who worked on units and driveway (C)
 - Referral to ATO, surveillance, suspension of staff

Recommendations to DLG

- DLG be given authority through legislation to require Councils to adopt policy of statewide significance
- The Minister establish internal audit as statutory function
- The Minister amend model code to allow councillors to provide information directly to the internal auditor
- The Minister amend the Act to remove entitlement of GM to attend audit committee meeting
- DLG amend standard GM contract to provide for suspension from duty
- DLG amend the code of conduct to improve guidance to mayors about managing complaints and suspension of GM

Recommendations to Burwood

- Develop out of pocket expenses policy – GM and staff
- Councillor expenses and facilities only to be approved as provided for in the policy – no broad discretion to GM
- Align motor vehicle policy to reflect key areas of NSW state government policy – result: due economy
- Establish internal audit function with an independent Audit Committee.
- Code and handbook – all complaints re GM to Mayor
- Investigation of complaints about GM overseen by Mayor and conducted by independent investigators
- Suspension policy to align to intention and effect of Premier and Cabinet guidelines
- Councillors undertake a foundation education program

Operation Crusader

- University of New England (Armidale)
- Facilities Management Services (FMS)
- Outsourced FMS areas of responsibility:
 - Cleaning
 - Security
 - Mail room
 - Audio Visual Support
 - Ongoing payments for card entry system (Cardax)
- All these contracts engaged and managed by Col McCallum (Manager Campus Services)

Operation Crusader (continued)

▪ Quad Services Pty Ltd

- 2005 cleaning contract 3 + 2 (\$1.2M per annum)
- Quad rep and McCallum conducted monthly assessments with variations approved by McCallum
- False invoices to recoup cost of van (described as external cleaning) to the value of \$29k
- Monthly dinners paid by Quad
- Extension decision in 2008 – Recommended by McCallum post \$850 dinner involving his manager
- Provision of beer on Fridays and contributions to Melbourne Cup day lunches at St Kilda Hotel

Operation Crusader (continued)

- Sydney Night Patrol & Inquiry Services (SNP)
 - 2005 security contract 3 + 2 (\$565k per annum)
 - Provision of new 7 seat van key aspect in contract
 - 2006/7 audio visual tech support (\$60k per annum)
 - 2/2007 mail room services (Quote of \$153k per annum well under Australia Post due to synergy in van use)
 - 7/2007 Yaris needed to supplement van – McCallum approved false invoices as “alarm service” at \$897 per month (total \$19400)
 - Regular hospitality including mails, rugby matches, race days, and accommodation.
 - McCallum suggested SNP reward scheme (2 \$500 vouchers paid by UNE in 2008 – daughter recipient)

Operation Crusader (continued)

- New England Rugby Union (NERU)
 - From 11/2005 to 3/2011 McCallum XO for NERU
 - \$600 / month + 10% commission for sponsorship
 - 2010 McCallum persuaded Quad to sponsor (\$3000)
 - SNP sponsored NERU 2006-10 (\$5000 per annum)
 - 2006-07 McCallum authorised payments by UNE to SNP security at NERU finals matches (\$5700)
 - McCallum waived 2 months cleaning charges to Sport UNE (\$2000) in arranging the payment of a NERU debt
 - Sport UNE told FMS was to sponsor NERU (\$9635)

Operation Crusader - Prevention

▪ Weaknesses

- Outsourcing of services
- Procurement (Select default approach)
- Governance of procurement – policy and oversight
- Role clarity/responsibility/support
- Contract management
- Gifts and benefits received by staff
- Conflicts of interest
- Long term vacancies in key roles

Operation Crusader - Prevention

▪ Recommendations

- Zero tolerance on gifts and benefits from suppliers to FMS.
- All foreseeable expenditure included in budgets with the use of contingency funds triggering management intervention for approval.
- UNE examine models for select and single-invite tenders that are transparent and meet their needs.
- UNE re-designs procurement processes and adopts them into policy.
- UNE promptly fills gaps in audit and procurement capability while positions remain vacant.