

The Parliament of the Commonwealth of Australia
Joint Committee of Public Accounts

REPORT 308

**THE PARLIAMENTARY INFORMATION SYSTEMS OFFICE
(PISO) 'UNOFFICIAL ACCOUNT'**

Australian Government Publishing Service
Canberra



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JOINT COMMITTEE OF PUBLIC ACCOUNTS
SEVENTEENTH COMMITTEE

Hon G F Punch, MP (Chairman)

Senator J O W Watson (Vice-Chairman)

Senator the Hon T Aulich¹

Mr K J Aldred, MP

Senator B K Bishop

Hon J A Crosio, MBE, MP

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Mr L J Scott, MP

Mr P D Shack, MP

Mr A M Somlyay, MP

Secretary: Mr T R Rowe

**Sectional Committee on Inquiry into the Parliamentary Information
Systems Office (PISO) 'Unofficial Account'**

Hon G F Punch, MP (Chairman)

Senator B K Bishop

Hon J A Crosio, MBE, MP

Senator J O W Watson

Mr L J Scott, MP

Mr A M Somlyay, MP

Inquiry staff: Ms J Blood
Mrs L Brennan

-
1. Appointed 6 March 1991.
 2. Discharged 6 March 1991.

DUTIES OF THE COMMITTEE

Section 8(1) of the Public Accounts Committee Act 1951 reads as follows:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament, any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

This report presents the findings of the Committee's Inquiry into the Parliamentary Information Systems Office (PISO) 'Unofficial Account'. The Inquiry was referred to the Committee by the Senate following a recommendation made by Senate Estimates Committee A in its 1989 Report to the Senate.

This so called 'unofficial account' was set up with the proceeds from the disposal of the Parliament's Honeywell computing equipment which was said to have become surplus to requirements on the implementation of the computing systems for the new Parliament House. The Committee's task was to examine the roles and responsibilities of the key players in the establishment and operation of the 'unofficial account' and to assess what further action was required in response to the breaches identified in the report of the Auditor-General, who had previously examined this matter.

While the term 'unofficial account' has been used throughout the report, it should be noted that the account was clearly illegal.

At the outset, notwithstanding the Senate's wishes, the Committee wishes to emphasise that while the sum involved in this investigation - \$88,100 - may not be significant in terms of total Commonwealth outlays, nevertheless the principles involved are significant. Moreover, the Committee believes that its investigation has proved to be a salutary reminder not only to officers of PISO, but to all Commonwealth public servants of the responsibilities involved in managing and accounting for the taxpayer's dollar.

The Committee has concluded that poor management and the lack of effective accountability mechanisms in a situation of devolved responsibility created the environment which enabled the 'unofficial account' to be set up in the first place and remain undetected for so long. The Committee is now satisfied, however, that appropriate action has been taken to address these serious shortcomings

The President of the Senate, Senator the Hon Kerry W Sibraa, and the Speaker of the House of Representatives, the Hon Leo McLeay, MP, have written to the Committee in the following terms:

... we can advise you that PISO is clearly and unambiguously an operating division of the Department of the Parliamentary Reporting Staff, subject to the normal managerial oversight applying to other divisions of the Department. As well, the responsibility and authority of Mr Templeton, the Head of the Department, are firmly established, with the General Manager of PISO reporting to the Presiding Officers through the Head of the Department of the Parliamentary Reporting Staff.

The matter of possible disciplinary action against those involved in the 'unofficial account' is for the relevant delegates under the Public Service Act 1922 to determine, taking account of the Committee's findings.

Although concerned with issues of accountability, consistent with the Committee's charter, this Inquiry differed significantly from the Committee's usual inquiries in that the terms of reference called for an assessment of specific individuals' roles and responsibilities with regard to the 'unofficial account'. The Committee wishes to emphasise that, while its evidence is taken on oath or affirmation, the Committee is not a court of law. Nevertheless, at all times during the Inquiry, the Committee attempted to ensure that the principles of natural justice prevailed, with witnesses given every right of reply to allegations made against them. Ultimately, however, where there was a conflict in the evidence before it, the Committee was required to make a judgement about whose evidence to believe and has done so.

For and on behalf of the Committee.

Hon G F Punch, MP
Chairman

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RECOMMENDATIONS

The Committee has made number of recommendations which are listed below, cross-referenced to their location in the text:

- .
The Department of Administrative Services review the guidelines and procedures regarding the disposal of surplus, unserviceable or obsolete assets to ensure that the arrangements currently in place are adequate, clearly understood and properly implemented. (paragraph 2.5)
 - .
As part of the induction process, all new entrants to the Australian Public Service be briefed on the financial legal framework affecting public servants' dealings with Commonwealth financial resources. (paragraph 2.55)
 - .
The Commonwealth Government examine ways to ensure its major contractors comply with relevant Commonwealth legislation and operating policies which impinge on contracts. (paragraph 2.55)
- These two recommendations in no way relieve senior public servants or contractors to the Commonwealth of their responsibility to be aware of, and comply with, the relevant laws and regulations. (paragraph 2.55)
- .
All Commonwealth Departments ensure that cancellation of purchase order requests be clearly documented to show on whose authorisation the cancellation was made and for what reason. (paragraph 3.41)
 - .
The Parliamentary Librarian take appropriate action to recover from Mr Blume his outstanding debt of \$330 to the Commonwealth. (paragraph 4.41)
 - .
Each Parliamentary Department that has not already done so should establish, as a matter of priority, an adequately resourced internal audit function. (paragraph 6.19)

The delegate of the Secretary of the Department of the Parliamentary Reporting Staff review the actions of the former Manager of PISO, Mr Goodall and PISO's former Director, Planning and Administration, Mr Blume, with regard to establishing whether any misconduct may have occurred or whether there was a failure to fulfil their duties as officers while employed in the Australian Public Service. Should this be the case, an appropriate record be placed on the relevant personal files to ensure that this is taken into account in the event that either individual seeks reappointment to the Service. (paragraph 8.34)

Finance Regulation 133 be revised to ensure that penalties for breaching the Finance Regulations can be applied not only to current accounting officers or persons subject to the Audit Act 1901, but also to persons breaching the Regulations who are *no longer accounting officers* or persons subject to the Audit Act 1901. (paragraph 8.34)

ABBREVIATIONS

ABC	Australian Broadcasting Corporation
ADC	Aboriginal Development Commission
ATSIC	Aboriginal and Torres Strait Islander Commission
CP	Computer Power
DAS	Department of Administrative Services
DEC	Digital Equipment Corporation
DPRS	Department of the Parliamentary Reporting Staff
PISO	Parliamentary Information Systems Office
SBS	Sukkar Business Systems

Chapter 1

INTRODUCTION

Background to the Inquiry

1.1 This Inquiry was referred to the Sixteenth Joint Committee of Public Accounts by the Senate on 29 November 1989, following a recommendation in Estimates Committee A: Report to the Senate.¹ On the dissolution of the House of Representatives on 19 February 1990, the Sixteenth Committee ceased to exist and the reference lapsed. When the Seventeenth Committee was appointed in May 1990, it decided to resume the Inquiry.

1.2 Prior to the reference to the Committee, the matter of the Parliamentary Information Systems Office (PISO) 'unofficial account' was the subject of a series of investigations. The first of these was initiated on 17 July 1989 by the Parliamentary Librarian, who engaged a consultant, Mr P K MacGregor, to investigate whether an unofficial fund existed in PISO. On 3 August 1989, Mr MacGregor made an oral report indicating that such an account did exist and that it contained funds received from the disposal of Honeywell computing equipment.² Mr MacGregor subsequently made an interim report on 8 September 1989 indicating that in his opinion - which was not a legally qualified one - proper procedures in relation to the disposal of equipment had not been followed. He suggested that it might be appropriate to obtain a legal opinion.³ On 13 September 1989 the Auditor-General was called in to investigate. Mr MacGregor's final report was provided to the Parliamentary Librarian on 19 September 1989.⁴

1.3 During its examination in September 1989 of the estimates of the Department of the Parliamentary Library for 1988-89, Senate Estimates Committee A became aware that PISO had established an 'unofficial' bank account with Computer Power Pty Ltd.⁵

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1. Senate. Estimates Committee A: Report to the Senate, November 1989, pp. 10-11.
 2. Evidence, p. 441.
 3. Evidence, p. 442.
 4. Evidence, p. 442.
 5. Senate. Estimates Committee A: Report to the Senate, November 1989, p. 7.

1.4 Senate Estimates Committee A was anxious to obtain the Auditor-General's report before finalising its own report to the Senate. The Chairman of Senate Estimates Committee A therefore requested the President of the Senate to have the Audit report made available to the Committee.⁶ On 1 November 1989, the Auditor-General provided the President of the Senate with a copy of his report entitled Investigation of an unofficial account operated by Parliamentary Information Systems Office.

1.5 In his covering letter to the President of the Senate, the Auditor-General noted that the Report had not progressed through the normal presentation editing checks applying to his tabled reports and that therefore there may be "minor later variations in format or text" to the subsequent tabled version.

1.6 The final printed version of the Auditor-General's report was tabled on 29 November 1989. While the findings and recommendations contained in both reports were identical, the wording of the conclusions of the final version was strengthened somewhat. The other significant difference between the two reports concerns the deletion of a chapter on PISO's reporting relationships from the tabled version; this issue is taken up in Chapter 5 of the Committee's report.

1.7 The references to the Auditor-General's report in this section are based on his report of 29 November 1989. It should be noted that Senate Estimates Committee A did not accept the conclusions contained in the initial report of 1 November 1989.

1.8 Twelve findings were made by the Auditor-General, the principal ones being that:

PISO disposed of surplus stores without obtaining the necessary approvals and without consulting the Department of Administrative Services;

the proceeds from the sale of these surplus stores were not credited to Miscellaneous Revenue but were held in an account with Computer Power Pty Ltd; and

6. Evidence, p. 147.

PISO arranged for moneys to be expended from this Computer Power account without obtaining the necessary approvals and without the claims for payment being certified and authorised.⁷

1.9 These actions were found to have breached Finance Regulations, Finance Directions, the Audit Act 1901 and sections of the Constitution. The Auditor-General also found that there was no cause for PISO officers to be unaware that the Parliamentary Departments were required to adhere to the prescribed procedures applying to all Commonwealth Departments.⁸

1.10 The Auditor-General concluded that:

The episode displays a disregard for the established form of Commonwealth budgetary and expenditure control and a potential for misuse of public assets. All expenditure from the unofficial account was for official purposes even though the method of funding that expenditure was highly irregular. However no evidence could be found to suggest that the PISO officers, and the persons employed by Computer Power under the Prime Contract between PISO and Computer Power, were involved in fraudulent activity, accepting that fraud constitutes conduct which is deliberately dishonest...⁹

1.11 The primary recommendation made by the Auditor-General was that the accountability and internal control arrangements within PISO and between PISO and the Department of the Parliamentary Library management be strengthened to establish documented lines of accountability and proper internal controls.¹⁰

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7. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, pp. 20-21.
 8. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, pp. 20-21.
 9. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, p. 22.
 10. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra 1989, p. 24.

1.12 Senate Estimates Committee A reached its conclusions on the basis of the Auditor-General's initial report of 1 November 1989.

1.13 In its report, Senate Estimates Committee A expressed concern not only about the establishment of the 'unofficial account', but also about the length of time taken by the Parliamentary Librarian to call in the Auditor-General to investigate the matter. The Senate Estimates Committee noted that while the Parliamentary Librarian had become aware of the account in early to mid-July 1989 - some 12 months after it had been established - the Auditor-General was only called in on 13 September 1989.¹¹

1.14 Senate Estimates Committee A concluded that the report's summary and recommendations did not fully address all the matters raised in the body of the report, particularly the findings and conclusions. In that Committee's view, the report raised more questions than it answered.¹²

1.15 As a result and given the limited powers of estimates committees, Senate Estimates Committee A recommended to the Senate that the Joint Committee of Public Accounts conduct an investigation of the events surrounding the establishment and operation of the unofficial PISO account.

Terms of Reference

1.16 The terms of reference from the Senate, as proposed by Senate Estimates Committee A, required the Joint Committee of Public Accounts to inquire into and report on the following matter:

An examination of the events surrounding the establishment and operation of the 'unofficial PISO account' with particular reference to:

- (a) the role and responsibility of the former manager of PISO;

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11. Senate. Estimates Committee A: Report to the Senate, November 1989, p. 7.
 12. Senate. Estimates Committee A: Report to the Senate, November 1989, p. 10.

- (b) the role and responsibility of the Parliamentary Librarian;
- (c) the role and responsibility of Computer Power as prime contractor to PISO;
- (d) the role and responsibility of consultants employed by Computer Power on behalf of PISO;
- (e) whether a conflict of interest did arise when a consultant, employed by Computer Power, acted in a line management position;
- (f) the role and responsibility of other managers of PISO who were associated with this account;
- (g) the apparent lack of involvement of the Finance Section, Parliamentary Library with the auditing procedures of PISO's accounts and the role and responsibility of the Auditor-General in overlooking this matter; and
- (h) whether the breaches outlined in the Auditor-General's report warrant further action.¹³

1.17 The Seventeenth Committee formally adopted these same terms of reference when it resumed the Inquiry in May 1990.

Conduct of the Inquiry

1.18 The Committee sought submissions from individuals and organisations who may have had some knowledge of the matters raised in the terms of reference. A list of submissions received is at Appendix 1.

1.19 Six public hearings were conducted in Canberra between February and September 1990. Details of the hearings and witnesses who appeared before the Committee are set out in Appendix 2.

13. Votes and Proceedings No. 156, Thursday, 30 November 1989, p. 1681.

Structure of the Report

1.20 Chapter 2 outlines the background to and chronology of events associated with the disposal of the Parliament's surplus Honeywell computing equipment. The unorthodox method of disposal employed by PISO resulted in the establishment of the 'unofficial account'.

1.21 Chapter 3 examines the establishment and operation of the 'unofficial account', while Chapter 4 provides an overview of the circumstances surrounding the expenditure from the account of \$1629.35 on an organisation review workshop held at the Sydney Hilton Hotel in June 1989.

1.22 PISO's reporting relationships with the Presiding Officers and the Parliamentary Librarian and the management of PISO itself are discussed in Chapter 5. The focus in this chapter is on the impact of the arrangements in place on the accountability process.

1.23 Several issues not directly connected to the Committee's terms of reference but which the Committee nevertheless believes warrant attention are discussed in Chapter 6. Chapter 7 documents the action which has been taken since the Auditor-General's report on the unofficial PISO account.

1.24 The concluding chapter of the report, Chapter 8, summarises the Committee's findings in respect of each of the terms of reference. The evidence supporting these conclusions is detailed in relevant chapters of the report.

Chapter 2

DISPOSAL OF HONEYWELL COMPUTING EQUIPMENT

2.1 This chapter traces the history of the disposal of the Parliament's Honeywell computing equipment, which culminated in the establishment of PISO's 'unofficial account'. The Committee has dealt with this matter in some detail because of the importance in eliciting the motivation for the course of action which was ultimately pursued. In particular, the roles and responsibilities of PISO staff and Computer Power in the disposal action are canvassed.

Initial Attempts at Disposal

2.2 In November 1987, the decision was made that the information systems to be installed in the new Parliament House were to be supported by Digital computing equipment.¹ This meant that although some of it was quite new - having been purchased only that year - the Honeywell equipment in use within the Parliamentary Library and other Parliamentary Departments would be incompatible with the new systems and would therefore need to be de-commissioned.

2.3 Initial consideration was given to a possible trade-in of the Parliamentary Library's Honeywell equipment through the Digital Equipment Corporation (DEC), but this course of action was not pursued.² Honeywell Pty Ltd advised users of its equipment that the Parliament's Honeywell equipment was to be de-commissioned. This generated an offer from the Computer Exchange Corporation to purchase a system from PISO.³

2.4 The Committee notes that no mention was made in the evidence about the involvement of the Department of Administrative Services in the planned disposal, as required under the Finance Directions.

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1. Evidence, p. 13.
 2. Evidence, p. 667.
 3. Evidence, p. S 459.

2.5 **The Committee recommends that:**

The Department of Administrative Services review the guidelines and procedures regarding the disposal of surplus, unserviceable or obsolete assets to ensure that the arrangements currently in place are adequate, clearly understood and properly implemented.

2.6 The Aboriginal Development Commission (ADC) was among those users who were informed by Honeywell that PISO was to dispose of the Parliament's Honeywell equipment. This occurred around February/March 1988.⁴

2.7 At that time, ADC was endeavouring to improve the level of minicomputer facilities available to its Regional Offices. As part of this process, ADC decided to improve communication links and install Honeywell visual display units in those Offices. Against this background, ADC arranged a meeting with PISO, which took place on 4 March 1988. At this meeting, PISO was requested to draw up a list of equipment being offered for sale.⁵

2.8 PISO responded to this request in a letter dated 25 March 1988 and indicated that the items available for disposal were expected to become surplus to PISO's requirements in the near future.⁶

2.9 ADC replied to this letter on 26 April 1988, with an offer to purchase the memory, line adaptors, visual display terminals and printers. The letter indicated that payment would have to be made in cash for this equipment, as "the option of payment in Cleveland PCs [personal computers] was unacceptable to our purchasing branch."⁷

2.10 While noting that Cleveland workstations needed to be purchased as part of the Parliament's new systems strategy, the Committee sought to establish the reason that such a 'swap' arrangement had been contemplated.

4. Evidence, p. S 341.

5. Evidence, p. S 341.

6. Evidence, pp. 176-8.

7. Evidence, p. 179.

2.11 Evidence was given to the Committee by Dr Paul Thistlewaite who, in his capacity as Acting Manager, Computers and Communications in PISO until 13 April 1988, had been negotiating on behalf of PISO with ADC. Dr Thistlewaite recollected that Mr Bill Shirley, then Canberra Manager of Honeywell, had indicated to him that the Department of Administrative Services had in the past approved of exchange agreements between departments. Mr Shirley had then asked if there was anything that PISO would be interested in terms of an exchange? Mr Thistlewaite replied:

The only thing we would be interested in in terms of an exchange is Cleveland computers, because they are now a standard for what is being replaced.⁸

2.12 On 4 May 1988 Mr Jim Galbraith, then PISO's Acting Director, Technical Services, handed Mr John Davies, then PISO's Assistant Director, Standards and Procedures, ADC's letter of offer dated 26 April 1988. He requested Mr Davies to advise him as to how good an offer it was in terms of price, and whether disposal of the items listed would leave an unbalanced set of hardware which would be more difficult to sell.⁹

2.13 Mr Davies responded to this request in a minute to Mr Galbraith dated 11 May 1988, recommending that the offer be rejected for a number of reasons, mainly related to price.¹⁰

2.14 The Committee was informed that a written reply to ADC's letter of offer was never received, despite numerous phone calls to Dr Thistlewaite and others. ADC was advised eventually that Computer Power was now handling all disposals of surplus equipment and that ADC should talk to Computer Power about the matter.¹¹ ADC subsequently purchased, through Computer Power, a number of visual display units and printers for \$18,100.

Background to the 'Trade-in' Proposal

2.15 The Committee sought to establish why PISO decided not to proceed with a direct sale of some of the surplus Honeywell equipment to ADC, but to 'trade-in' all of the equipment through Computer Power.

8. Evidence, p. 683.

9. Evidence, p. 667.

10. Evidence, p. 667.

11. Evidence, p. S 342.

2.16 In evidence to the Committee, Mr Galbraith advised that, in PISO's discussions with ADC, "it was anticipated that the only thing that could be done would be to swap equipment based on the precedent of the two executive government departments that had conducted an exercise like that."¹² He went on to say:

...when the Aboriginal Development Commission people made an offer for part of the equipment that they wanted to purchase at that particular period in time and identified that it would have to be paid for in cash, two things occurred. It is not possible. I am aware of it, and I am sure the majority of officers who have given evidence are aware of it, as they have stated....You cannot sell equipment and retain the proceeds.¹³

2.17 Mr Galbraith continued:

The other significant issue that was involved was that the Aboriginal Development Commission wished to, to use a colloquialism, pick the eyes out of a particular set of equipment and only take a subset of the equipment. That would have unbalanced the configuration as it stood and made it probably more difficult to dispose of in any way afterwards.¹⁴

2.18 The feasibility of trading-in the equipment with Computer Power, the prime contractor, against other compatible equipment was then investigated.¹⁵

2.19 Mr Brian Robinson, PISO's then Director of Contracts and Administration, advised the Committee that, to the best of his knowledge, he was the officer who first suggested that the Honeywell equipment be traded-in.¹⁶ Mr Galbraith had asked him if he could suggest any legal means by which PISO could dispose of the Honeywell equipment but retain the funds to purchase DEC or Cleveland equipment.¹⁷

12. Evidence, p. 315.

13. Evidence, pp. 315-6.

14. Evidence, p. 316.

15. Evidence, p. 302.

16. Evidence, p. 258.

17. Evidence, p. 248.

2.20 In response, Mr Robinson suggested to Mr Galbraith that the equipment be traded in on DEC or Cleveland purchases. He further suggested that the arrangement be made through Computer Power as that company was the vendor to the Parliament under the prime contract arrangements.¹⁸

2.21 Mr Robinson had assured Mr Galbraith that such a trade-in was "fully in accordance with Government Purchasing Policy (Finance Direction 26/26 and Chapter 56 of the Purchasing Manual) and that when a trade-in arrangement is approved, only the net amount paid to the supplier is to be charged to an appropriation (Finance Direction 26/27)."¹⁹

2.22 Based on Mr Robinson's advice, Mr Galbraith was directed by Mr Mark Goodall, the then Manager of PISO, to discuss the trade-in option with the prime contractor's representative who, at that time, was Mr Pat Cotterill.²⁰

2.23 Mr Goodall subsequently approved the recommendation to trade-in the Honeywell equipment on the basis of the advice from Mr Robinson and from Mr Cotterill, who advised that Computer Power would accept the arrangement.²¹

2.24 On 17 May 1988 Mr Galbraith wrote to Mr Cotterill, formalising the discussions and agreement reached by PISO and Computer Power regarding the trade-in. The letter was signed by Mr Galbraith over the signature block of the Manager, Computers and Communications, Mr G R Harber.²² It should be noted, however, that while Mr Harber was Mr Galbraith's line manager, the Honeywell disposal project was assigned to Mr Galbraith directly by Mr Goodall. Chapter 5 discusses the nature of the reporting responsibilities for this matter in some detail.

2.25 The Committee notes that this letter clearly specifies that the Honeywell equipment was to be traded in against equipment to be supplied by Computer Power's subcontractors.²³

18. Evidence, p. 248.

19. Evidence, p. 248.

20. Evidence, p. 302.

21. Evidence, p. 4.

22. Evidence, p. 180.

23. Evidence, p. 180.

Valuation Methodology

2.26 The letter of 17 May 1988 also indicated that it would be necessary for Computer Power to establish acceptable trade-in valuations for the surplus Honeywell equipment and to advise PISO of that valuation, less all identified and justifiable costs.²⁴

2.27 The Committee was advised that Computer Power offered two alternatives to PISO. The first was for Computer Power to establish a value for the equipment, using its commercial judgement; the second alternative was for the company to give the true market value that it could obtain for the equipment to PISO. It was the latter option that PISO chose.²⁵

2.28 Commenting on PISO's decision, Computer Power remarked:

...the first option would have been a lot cleaner to implement, in that we [Computer Power] would have given a fixed value for all the equipment up-front. We may have made money on that transaction or we may have lost. PISO was uncomfortable with the fact that we may have made money on that transaction, so it went for the second option where we would, in effect, have discussions and come to a market value. The only real way you can come to a market value is to have a purchaser for the equipment. So we, in effect, had to have a purchaser lined up and then make an offer of valuation to PISO. But there was almost a catch 22 situation, in that we could not talk to the purchaser and strike a deal on value unless we also had some idea of what PISO thought the equipment was worth. So there were discussions between Computer Power and PISO and between Computer Power and the purchasers of the equipment.²⁶

2.29 When Computer Power accepted the trade-in arrangement proposed by PISO, ADC was mentioned as a possible purchaser of part or all of the equipment.²⁷ In order to determine the sale value, Computer Power sought the advice of some brokers. On the basis of this information and in conjunction with PISO, Computer Power offered to sell to ADC twenty-five (25) Honeywell 7300

24. Evidence, p. 180.

25. Evidence, p. 638.

26. Evidence, p. 639-640.

27. Evidence, p. 638.

visual display units at a unit price of \$500. This compares with ADC's original offer of \$200 per unit.²⁸

2.30 These prices were accepted by ADC because they were still substantially lower than new equipment prices and thus represented a significant saving.²⁹ On 8 June 1988, the ADC placed an order with Computer Power for twenty-five (25) terminals at a cost of \$12,500. A further purchase of four terminals and five printers, at a cost of \$5,600, was made in January 1989.

2.31 The sale value of the remaining equipment was determined by Computer Power letting a request to tender.³⁰ Advertisements were placed in The Australian on 6 September 1988 and in Computerworld.³¹ Following an initial offer - sight unseen - of \$45,000,³² Sukkar Business Systems (SBS) eventually purchased this remaining equipment for \$70,000.

Documentation of the 'Trade-in'

2.32 On 1 August 1988, Mr Cotterill, the then Prime Contract Manager, wrote to Mr Blume, PISO's then Director of Planning and Administration, offering to trade-in the Honeywell equipment which had already been purchased by ADC in June and July, against future purchases from Computer Power. This letter requested PISO to indicate whether this offer was acceptable and which orders the trade-in value was to be credited against.³³

2.33 It is a gross understatement to say that when the Committee was initially analysing the documentation associated with PISO's 'unofficial account' and sighted a copy of this letter from Computer Power to PISO, it was at a loss to understand how Computer Power could make an offer to PISO to trade-in goods, which had already been sold to ADC.

28. Evidence, p. 638.
29. Evidence, p. S 342.
30. Evidence, p. 638.
31. Evidence, p. 166.
32. Evidence, p. 642.
33. Evidence, p. 181.

2.34 Computer Power gave evidence to the Committee that between Mr Galbraith's letter of 17 May and Mr Cotterill's letter of 1 August there was no other correspondence between PISO and Computer Power concerning the trade-in.³⁴

2.35 When questioned by the Committee on this issue, Computer Power explained:

We sold the 25 terminals to the Aboriginal Development Commission. We received a purchase order on 8 June and we invoiced on 14 June. At that stage, certainly, I should have written a letter, similar to this one, to Mr Blume. However, we were extremely busy at the time - this was the June before the August opening of Parliament. As the person purchasing the equipment, I was in the critical path in that particular timeframe. But the sale of the equipment to the Aboriginal Development Commission was orally confirmed with Mr Blume. So he and I were both aware of the actions that we were taking. Subsequent to that, we offered some additional equipment to the Aboriginal Development Commission and on or about 1 August we received a purchase order for the extra equipment. At that stage I wrote the letter to Mr Blume documenting our previous discussions.³⁵

2.36 On 14 October 1988 Computer Power wrote again to Mr Blume, offering a trade-in valuation of \$69,000 for the remaining Honeywell equipment. This figure represented the \$70,000 purchase price paid by Sukkar Business Systems, less \$1,000 to cover advertising costs. Computer Power gave evidence to the Committee that, at the time of this offer, an agreement had been made with SBS but the legal title to the equipment had not yet passed to SBS.

Failure to Consult the Department of Administrative Services

2.37 In the disposal, sale or trade-in of surplus, unserviceable or obsolete assets, departments and agencies which were subject to the Finance Directions and the Audit Act 1901 were required, at the time in question, to use the services provided by the Purchasing and Sales Group, formerly the Purchasing Division, of the Department of Administrative Services (DAS). These requirements were set out in Section 26 of the Finance Directions. The Committee notes that Section 26 of the

34. Evidence, p. 640.

35. Evidence, pp. 640-1.

Finance Directions was revised in February 1991. The references in this report to Section 26 of the Finance Directions relate to that version applying at the time of the events under examination.

2.38 Finance Direction 26/19 required among other things, that 'stores which have been declared surplus to departmental requirements or are being sold due to unserviceability, obsolescence, etc.' be declared to the Purchasing Division of DAS for disposal action. The exception to this was where an owner department demonstrated that, for reasons of efficiency or economy, it was clearly more appropriate for certain surplus stores to be disposed of directly by that department. In particular, Finance Direction 26/26 required trade-in offers to be submitted to the Purchasing Division of DAS for approval.

2.39 *There is no question that the five Parliamentary Departments are bound by the provisions of the Audit Act 1901 and are therefore subject to the Finance Directions. At no time during the disposal of the surplus Honeywell equipment, however, did PISO consult with DAS regarding the trade-in.*

2.40 In his oral evidence to the Committee, Mr Robinson admitted that the advice he had given to Mr Galbraith concerning the requirements for trading-in the equipment was deficient. He said he had relied solely on the advice set out in Chapter 56 of the Commonwealth Purchasing Manual and:

...I did not refer back to the source document, Finance Direction 26/26, and I did not note that in that document there was a requirement that trade-in arrangements be approved by the Purchasing and Sales Group of the Department of Administrative Services. I believe the information I passed to him [Mr Galbraith] was correct, but incomplete in this respect.³⁶

2.41 Explaining the reason for his failure to refer back to the source document, Mr Robinson told the Committee that, prior to this time, he had been using the resources of the finance section of the Department of the Senate to gain access to documents such as the Finance Manual. Mr Robinson told the Committee that around the time of the trade-in proposal, however, the Department of the Senate moved to the new Parliament House and he said that, as a result, he did not have the same ease of access to the Manual. While he had ordered a copy of the Finance Manual, it had not yet arrived and therefore he did not refer to it.

36. Evidence, p. 260.

Mr Robinson conceded, however, that this was not an excuse for not having checked the source documents.³⁷

2.42 The Committee finds in the strongest terms that such a basic oversight is unacceptable.

2.43 Elaborating further on the reason for his mistake, Mr Robinson later told the Committee that, while most of Finance Direction 26/26 was quoted in Chapter 56 of the Purchasing Manual, "the requirement to have a trade-in arrangement approved by DAS is omitted."³⁸

2.44 The Committee notes, however, that Chapter 56 of the Commonwealth Purchasing Manual clearly stated:

Details of all trade-in offers received must be referred to the Disposals Section of the Purchasing Division, Department of Administrative Services, for evaluation and advice regarding whether acceptance on the basis proposed would be to the best advantage of the Commonwealth. Trade-in offers that do not meet this criterion are not accepted and normal disposals procedure applies. See Finance Direction 26/26.³⁹

2.45 In its report on the 'unofficial account', the Australian National Audit Office referred to advice it had received from PISO officers. They stated that, at the time of the disposal:

...there was a general belief amongst officers in the Parliamentary Departments that the provisions of the Commonwealth Finance Directions and Purchasing Manual, requiring 'departments' subject to the Audit Act to use the Purchasing Division of the Department of Administrative Services in purchasing and disposal matters, applied only to

37. Evidence, p. 260.

38. Evidence, p. 953.

39. Department of Administrative Services. Commonwealth Purchasing Manual, AGPS, Canberra, 1984, p. 56/1.

the Executive Departments and that the Parliamentary Departments could make their own arrangements outside those provisions.⁴⁰

2.46 When questioned by the Committee, Mr Robinson said that, while he was aware that this belief was held by some officers, his error was "simply caused by the fact that I did not properly read the Directions, not because I thought they did not apply."⁴¹

2.47 Mr Robinson advised the Committee that he had been "told by different people at different times that these [Finance] directions did not apply to the Parliament."⁴² These people included both the former Manager, Mr Goodall, and Mr Blume.⁴³ Mr Robinson therefore sought to clarify the situation and discussed the matter with a senior officer from the Australian Government Solicitor's Office, who advised that the Finance Directions did apply.⁴⁴

2.48 Mr Robinson told the Committee that he had definitely notified Mr Blume about the advice he had received from the Attorney-General's Department but he could not recollect that the matter had come up again with Mr Goodall.⁴⁵ The Acting Chairman asked Mr Robinson:

ACTING CHAIRMAN - When you discovered your mistake as a result of discussions with Attorney-General's, you had informal discussions with Blume and Goodall. What was the reaction of each of those people to the revelations that you made to them on the advice of Attorney-General's that your earlier perceptions were wrong?

Mr Robinson - They were doubtful that I was right.⁴⁶

2.49 The Committee asked Mr Blume whether he was aware that the same procedures that apply to Commonwealth government departments apply to the

40. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, p. 9.

41. Evidence, p. 957.

42. Evidence, p. 954.

43. Evidence, p. 954.

44. Evidence, p. 955.

45. Evidence, pp. 955-6.

46. Evidence, p. 956.

Parliament in terms of disposal of equipment and methods of dealing with public money. Mr Blume replied:

In fact, to the contrary. The feeling in the Parliament has always been one of independence and operating in the spirit of guidelines and rules and regulations and so on. My understanding would have been on a number of occasions that the Parliament acted independently. It did not try to use the normal facilities.⁴⁷

2.50 The Chairman followed this up:

CHAIRMAN - So you are making a general statement that within Parliament there is some sort of feeling around that parliamentary officers are not bound by the Finance Regulations. Is that what you are telling me?

Mr Blume - No, that is not what I am saying at all. It is more selective than that.

CHAIRMAN - Tell me precisely what you are saying.

Mr Blume - Precisely what I am saying is that the idea was to get the best benefit for Parliament if there seemed not to be as good a benefit by following the rules that would normally apply in the Department of Administrative Services, or somewhere like that.

CHAIRMAN - And Finance Regulations?

Mr Blume - Most definitely. When you say 'and Finance Regulations', I am not suggesting that there was any notion that Finance Regulations would not be abided by or agreed to.

CHAIRMAN - So you have always been conscious of the fact that the Finance Regulations are binding on parliamentary departments, like every other department.

Mr Blume - Yes.⁴⁸

47. Evidence, p. 110.

48. Evidence, pp. 111-2.

2.51 The Committee draws attention to the clearly contradictory nature of Mr Blume's evidence cited above.

2.52 The Committee is most concerned about the clearly inaccurate perception held by at least some officers within PISO at the time - and perhaps more broadly amongst staff of the Parliamentary Departments - about the applicability of the Audit Act and Finance Directions and Regulations to the Parliament. This was obviously also of concern to the Auditor-General, who recommended that:

8.1(c) Instructions be issued to all officers of the Parliamentary Departments reminding them that the departments are fully subject to the provisions of the Audit Act, the Finance Regulations and the Finance Directions and that this should be borne in mind in any arrangements for the procurement of supplies and disposal of stores.⁴⁹

2.53 Consequently, the Committee wrote to each of the Parliamentary Departments to ascertain what action had been taken in response to this recommendation. Each of these departments has assured the Committee that their officers are aware of the application of the statutory requirements to their operations.

2.54 In the Committee's view, an ongoing process is required to ensure that all recruits to the Australian Public Service are made aware of Commonwealth employees' responsibilities in relation to the receipt and expenditure of public moneys. Likewise, there is a need to ensure that contractors to the Commonwealth are aware of their responsibilities in this regard.

2.55 **The Committee recommends that:**

As part of the induction process, all new entrants to the Australian Public Service be briefed on the financial legal framework affecting public servants' dealings with Commonwealth financial resources.

49. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, p. 24.

The Commonwealth Government examine ways to ensure its major contractors comply with relevant Commonwealth legislation and operating policies which impinge on contracts.

These two recommendations in no way relieve senior public servants or contractors to the Commonwealth of their responsibility to be aware of, and comply with, the relevant laws and regulations.

Conflict of Interest

2.56 Terms of reference (e) for this Inquiry required the Committee to examine whether a conflict of interest arose when a consultant employed by Computer Power acted in a line management position in PISO.

2.57 The consultant in question is Mr Galbraith, whose role in negotiating the Honeywell disposal arrangements is described earlier in this chapter.

2.58 In his submission to the Inquiry, Mr Galbraith described himself as an independent contractor employed by his own company, Flexilyte Pty Ltd.⁵⁰ He further advised the Committee that under the prime contract arrangements between the Parliament and Computer Power all consultants are required to enter into sub-contract agreements with Computer Power. In his employment at PISO he was responsible to PISO's management and not to Computer Power.⁵¹

2.59 Specifically in relation to this term of reference, Mr Galbraith advised the Committee that:

Since I am the consultant referred to I can state quite categorically that no conflict of interest existed then or now. In relation to the 'trade-in', I acted only in the best interests of PISO and only with advice of the responsible PISO managers.⁵²

50. Evidence, p. 300.

51. Evidence, p. 305.

52. Evidence, p. 305.

2.60 The Committee notes that Mr Galbraith was directed to act in the position of Director, Technical Services from 9 February 1988. He remained in this position until 29 August 1988, when a permanent appointment was made. It was while occupying this line management position that Mr Galbraith was involved in identifying disposal options for the Honeywell computing equipment, which was ultimately 'traded-in' with Computer Power.

2.61 Computer Power advised the Committee that:

Whilst acting in the position Mr Galbraith did not take part in any commercial transactions with Computer Power where there may have been a conflict of interest. Specifically, he did not arrange the purchase of any equipment or services from Computer Power.⁵³

2.62 While the funds received offset its overdraft, Computer Power advised that the company did not receive any financial or other benefit whatsoever from the 'trade-in'.⁵⁴

2.63 From the evidence it has received, the Committee has no reason to doubt Mr Galbraith's propriety in regard to his role in the Honeywell disposal. In terms of best practice, however, the Committee believes it is inappropriate to place individuals in situations where there is clearly the potential for conflict of interest situations to occur.

2.64 Of greater concern in this instance, however, is the potential impact on the client-prime contractor relationship of having a consultant working in a line management position in the client organisation. This relationship is necessarily a finely balanced one: to be effective, it is essential to have good understanding and trust so that the client's wishes are properly implemented, while at the same time it must be maintained at arms-length to ensure that the client remains in control at all times.

53. Evidence, p. 571.

54. Evidence, p. 571.

2.65 The Department of Administrative Services, which is responsible for the setting the broad policy guidelines applying to Commonwealth departments and authorities on the engagement of external consultants, told the Committee that the instance under review gave cause for concern:

Where you have a situation in which decisions and recommendations affecting your relationship with the prime contractor, made inside your own organisation, can be influenced by one of its staff, then there is a risk of the balance shifting. There is a risk of you becoming so dependent on the prime contractor that the balance moves...⁵⁵

2.66 The Committee has received no evidence which would suggest that the relationship between PISO and Computer Power was other than a proper relationship at any time. Nevertheless, the Committee believes it timely to remind departments and agencies of the delicate balance involved in the client-contractor relationship and need to guard against any arrangements which could sway the balance in favour of the contractor.

55. Evidence, p. 808.

Chapter 3

THE 'UNOFFICIAL ACCOUNT'

3.1 This Chapter examines the establishment and operation of PISO's 'unofficial account', which came into existence when the proceeds from the disposal of Parliament's surplus Honeywell equipment - \$88,100 in total - were deposited in Computer Power's normal operating account.¹ Once again, the Committee has provided a comprehensive overview of events in order to illuminate the roles and responsibilities of those involved.

Establishment of the 'Unofficial Account'

3.2 As set out in Chapter 2, PISO's letter of 17 May 1988 to Computer Power formally set in train the 'trade-in' arrangement with Computer Power.

3.3 The next written communication took place on 1 August 1988 when Computer Power wrote to PISO, offering to trade-in 29 Honeywell visual display units and 5 printers at a total value of \$18,100. PISO was requested to advise if this offer was acceptable and to indicate which orders the trade-in value was to be credited against.²

3.4 The Committee notes that, for the reasons described in Chapter 2 concerning the method of determining the trade-in valuation and the documentation of the arrangements, this offer reflected the value of equipment which had already been sold to the Aboriginal Development Commission (ADC).

3.5 This letter of 1 August 1988 bears a handwritten notation as follows:

Chris, please draft a reply to CP [Computer Power] accepting the offer and advising that Mr Mullane will liaise re acquittal of the amount against orders for fit-out of training rooms.³

1. Evidence, p. 601.

2. Evidence, p. 181.

3. Evidence, p. 181.

This notation was signed by Steve Blume, then PISO's Director of Planning and Administration, and was dated 2 August 1988.

3.6 PISO responded formally to Computer Power on 2 August, accepting the 'trade-in' offer and indicating, as per Mr Blume's direction, that Mr Mullane would liaise regarding acquittal of the amount against orders for the fit-out of training rooms.⁴

3.7 Until this point in time, and excepting PISO's failure to consult with Department of Administrative Services and the irregular means of holding the trade-in credit, the Committee accepts that, at least in terms of the intent, the Honeywell disposal could be construed as a bona fide trade-in.

3.8 PISO's letter of 2 August 1988, however, irrevocably changed the nature of the disposal arrangement which had been agreed between PISO and Computer Power, and any semblance of the disposal to a trade-in completely disappeared. For the trade-in argument to be sustained beyond this point, PISO's letter of 2 August would need to have nominated that the credit held by Computer Power be offset by equipment purchases from registered subcontractors under the prime contract.

3.9 The Committee notes the advice from the Attorney-General's Department that, from its knowledge of the facts gained from the Auditor-General's report, "it appears...that Computer Power merely sold the equipment as an agent of the Commonwealth."⁵ Because of this, the term trade-in, when used hereafter in the report in relation to the Honeywell disposal, is enclosed in single quotes so that the reader is reminded that a genuine trade-in did not take place.

3.10 The Committee asked Mr Blume to explain where the idea for the acquittal of the 'trade-in' funds on the fit-out of training rooms came from. Mr Blume replied:

It is an idea that came because I knew that there were no funds available for the fit-out of the new Parliament House training rooms in any of the budgets that we had had up to that time.⁶

4. Evidence, p. 182.

5. Evidence, p. 447.

6. Evidence, p. 112.

3.11 Despite the fact that Mr Blume knew the intent was to offset moneys received from the Honeywell disposal against purchases of hardware under the Computer Power contract,⁷ he treated the funds as if they were "available to the Parliament to spend on parliamentary activities and parliamentary needs and requirements."⁸

3.12 The Chairman asked Mr Blume to consider the ramifications if this style of public sector management were applied outside the Parliament, across the public sector and drew the following analogy:

CHAIRMAN - Supposing I am a general - a senior person in the armed forces and Parliament has not allocated any money for the purchase of tanks that I want. Do you see the implications of my undertaking some dealings with public property and then by the proceeds of those dealings funding what I might happen to think is the best purchase for the armed forces, even though the Parliament has not funded it?

Mr Blume - I can clearly see the implications.⁹

3.13 The Committee finds it both incomprehensible and reprehensible that a senior public servant would knowingly choose to act outside the established procedures and processes in this way. It finds it particularly reprehensible behaviour on the part of an officer of the Parliament who should have had a better appreciation than most of the significance of parliamentary appropriations to parliamentary democracies.

3.14 Apart from one occasion (see paragraph 4.14), Computer Power did not question Mr Blume's direction to expend monies from the proceeds of the disposal on items of equipment which were not being supplied by Computer Power's subcontractors. Computer Power told the Committee that:

We established the trade-in arrangements on the understanding that those funds would be used to offset the purchase of new equipment. Under the contract, we were also obliged to act on behalf of the contract manager. As we perceived it, the contract manager had the delegated authority to represent the interests of the Parliament. And as we saw it, we were directed by the appropriate officers who were delegated the authority of the

7. Evidence, p. 99.

8. Evidence, p. 112.

9. Evidence, pp. 112-3.

contract manager to dispose of those funds in the manner that they were ultimately used. From our point of view, we were providing a service as we had agreed under the terms and conditions of the contract.¹⁰

3.15 However, there was no provision in the prime contract - Contract PARL 87/001 - covering the trade-in of obsolete or surplus equipment and there was certainly no provision which allowed for the expenditure of funds on items such as those purchased through the 'unofficial account'. In the Committee's view, this example clearly illustrates the need for much tighter monitoring of contractual arrangements, and particularly those relating to secondary contracts.

3.16 It appears that initially Mr Cotterill had some qualms about the matter for he discussed it with his manager at Computer Power in August 1988. Mr Cotterill told the Committee:

At the time we saw the need because of the way the trade-in had taken a long time to come to effect, in fact still largely had not come to effect. In the planning stages of this we would never have dreamt of having moneys held in August. Since we did, and we understood it to be Commonwealth money and the Commonwealth in the form of PISO directed us to spend the money on this equipment, we thought it was the best thing to do.¹¹

3.17 Mr Cotterill, however, did not raise his concerns with officers of PISO.

3.18 The Committee notes that during the period of the operation of the 'unofficial account' that Computer Power supplied several million dollars worth of equipment through the prime contract.¹²

3.19 The Committee does not accept Computer Power's argument as valid. Quite clearly, without Computer Power's ready agreement to Mr Blume's proposal at least the intention of a trade-in could have been maintained, despite the irregular method of implementation.

10. Evidence, p. 604.

11. Evidence, pp. 643-4.

12. Evidence, p. 644.

Operation of the 'Unofficial Account'

3.20 As indicated in paragraph 3.1, Computer Power held the proceeds of the sale of PISO's Honeywell equipment in its normal operating account. This is an overdraft account and is Computer Power's basic trading account for the payment of all its creditors.¹³ The funds were grouped together as a sub-ledger within the sundry creditors' account, with a specific account number identifying those funds as belonging to PISO.¹⁴

3.21 Table 1 documents the transactions in the 'unofficial account'. This table has been compiled primarily from data obtained by the Australian National Audit Office after detailed scrutiny of Computer Power's accounts as they relate to the 'unofficial account'. This examination was undertaken by the ANAO on behalf of the Committee following an offer made by Computer Power to allow access to its records by an external body nominated by the Committee. Receipts and payments shown in the table were vouched to copies of original documentation. For payments, the payment/receipt date shown in Table 1 is the date on the cheque produced by Computer Power; for receipts it is the date shown on the cheque received by Computer Power. The supporting documentation date for payments is the date on the invoices provided to Computer Power for payment and for receipts it is the date on the cheque received by Computer Power. The dates for the repayment of the funds in the 'unofficial account' to the Collector of Public Moneys were obtained from copies of documents held by the Parliamentary Library.

3.22 This examination was made necessary because of serious discrepancies in information provided to the Committee from a range of sources at various times.

3.23 At no stage during the Inquiry has the Committee received any concrete evidence which would suggest that the transactions listed in Table 1 do not comprise the full income and expenditure relating to the proceeds of the disposal of the surplus Honeywell equipment.

3.24 Clearly, however, none of the expenditures from the account could be construed to be trade-ins on replacement computer equipment, as envisaged in PISO's letter of 17 May 1988 to Computer Power. None of the services or goods purchased from the funds held in the 'unofficial account' were supplied by subcontractors to Computer Power under the prime contract with PISO.

13. Evidence, p. 605.

14. Evidence, p. 606.

TABLE 1 - TRANSACTIONS IN THE PISO 'UNOFFICIAL ACCOUNT'

Payment/ Receipt Date	Supporting Documentation Date	Particulars	Receipt	Payment	Balance
			\$	\$	\$
n.a.	n.a.	Sale - Aboriginal Development Commission	12,500.00		12,500.00
n.a.	n.a.	Advertising		1,000.00	11,500.00
n.a.	n.a.	Sale - Sukkar	7,000.00		18,500.00
04.10.88	20.09.88	Euro Struct Industries		8,338.35	10,161.65
27.10.88	27.10.88	Sale - Sukkar	20,000.00		30,161.65
07.11.88	31.10.88	Instant Office Furniture		3,808.00	26,353.65
16.11.88	30.09.88	Thiffett's Discounts		1,032.00	25,321.65
01.12.88	01.12.88	Sale - Sukkar	20,000.00		45,321.65
13.12.88	02.12.88	Kodak P/L		2,200.00	43,121.65
05.01.89	05.01.89	Sale - Aboriginal Development Commission	5,600.00		48,721.65
n.a.	(1)	Instant Office Furniture		4,254.00	44,467.65
11.01.89	20.12.88	Studio Framers		855.00	43,612.65
n.a.	28.12.88	Pathfinder (books)		500.50	43,112.15
01.03.89	01.03.89	Sale - Sukkar	20,000.00		63,112.15
29.06.89	29.06.89	Sale - Sukkar	3,000.00		66,112.15
n.a.	01.07.89	Conference (Hilton)		1,629.35	64,482.80
31.10.89	26.10.89	Collector of Public Moneys		64,482.80	0.00
			88,100.00	88,100.00	NIL

Note (1) - Instant Office Furniture invoice dates

27.10.88 \$1195.00
20.09.88 \$5059.00

n.a. not available from Computer Power's records.

Authorisation of Expenditure

3.25 There were 9 disbursements from the 'unofficial account', excluding the repayment of the balance of funds to the Department of the Parliamentary Library in October 1989. Mr Cotterill described the process for getting Computer Power to pay for purchases from the 'unofficial account' as follows:

They varied from, in the first instance, a written minute, copies of purchases orders, to an oral request. They were always accompanied with an oral request.¹⁵

3.26 Computer Power advised the Committee that expenditure from the 'unofficial account' was only made with the approval of PISO's Director of Finance and Administration.¹⁶ The Committee notes that the correct title of this position was Director, Planning and Administration. Mr Blume occupied this position until 12 December 1988, when Mr Martin Mullane replaced him.

3.27 The Committee notes that on taking up this position, Mr Mullane did not question the use of this highly unusual account. Furthermore, he maintained that he had no knowledge that the use of the 'trade-in' funds for fitting out the training rooms was improper.¹⁷ Mr Mullane told the Committee that he was "unaware of the detailed provisions of either the Constitution, the Finance Directions or Regulations. In fact, I thought that that money was money available to the Office for use as required."¹⁸

3.28 Mr Cotterill in his submission confirmed that both Mr Blume and Mr Mullane were responsible for administering the 'unofficial account'. In addition, Mr Jim Gilliland, who was acting as PISO's Director of Training and Support "liaised with Computer Power regarding the provision of equipment for the PISO training room."¹⁹ Mr Cotterill did not recall dealing with anyone else in PISO in the matter of the 'unofficial account'.²⁰

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15. Evidence, p. 644.
16. Evidence, p. 571.
17. Evidence, p. 369.
18. Evidence, pp. 369-70.
19. Evidence, p. 623.
20. Evidence, p. 644.

3.29 However, Mr Paul Lanham, Computer Power's Prime Contract Manager at PISO from 10 April 1989 to 30 January 1991 (except for the period 10 July 1989 to 11 August 1989), told the Committee that:

...the procedure for the operation of the 'account' was that I would authorise expenditure from it only following request from the former manager of PISO or the Director Planning and Administration.

Whilst this was the procedure, I in fact only ever dealt with Mr. Goodall in the operation of this 'account'.²¹

3.30 Official purchase orders were raised for four of the disbursements from the 'unofficial account' - three within the Department of the Parliamentary Library, while the fourth was raised within the Department of the Senate. In each case, however, the purchase orders were cancelled by the relevant Department and the goods in question were subsequently purchased through the 'unofficial account'. At this time, PISO was located in the Department of the Parliamentary Library; the allocation of financial responsibilities between PISO and the Financial Services Section of the Library is discussed in the next section of this report.

3.31 In two of these cases, the documentation indicates that the purchase orders were cancelled following advice from officers of PISO's Planning and Administration Section. The purchase order on Kodak Australasia Pty Ltd was cancelled on 5 December 1988 on the basis of telephone advice from Ms Jill Strang-Gardner,²² while the purchase order on Studio Framers was cancelled on 27 June 1989 on the request of Mr Chris Shelling.²³

3.32 No documentary evidence is available to establish on whose authority the other two purchase orders were cancelled.

3.33 Both Ms Strang-Gardner and Mr Shelling had difficulty in recalling the details surrounding their respective requests to cancel the purchase orders in question. In a written submission to the Committee in July 1990, Ms Strang-Gardner advised the Committee that her request to cancel the purchase order on Kodak would have resulted from a direct request from either Mr Blume himself or

21. Evidence, p. 656.

22. Evidence, p. 230.

23. Evidence, p. 233.

from Mr Blume through Mr Shelling. She would then have telephoned the Accounts Section in the Parliamentary Library to request the cancellation.²⁴

3.34 This explanation accords with the evidence given by Mr Blume at the first public hearing for this Inquiry which was held on 15 February 1990.²⁵

3.35 The Committee asked Mr Shelling why he had cancelled the order on Studio Framers more than 6 months after it had been raised. He replied:

...one of the tasks I would have been doing at the end of the financial year was tidying up any outstanding purchase orders and checking with the people who had initiated the purchase request to find out what was happening with it. My conjecture on this particular matter is that at the end of the financial year it was an outstanding matter. I checked with the training and support section to ask, 'Will this purchase order be cancelled or will it be paid?'. I cannot recall what instructions I got back from that section, but as a result of that I would have telephoned or spoken to somebody within the library finance section and would have said, 'This order will not be processed and it should now be cancelled'.²⁶

3.36 Mr Shelling also told the Committee that there were often legitimate reasons for cancelling a purchase order, for example, the goods or service requested could not be supplied. In such cases, the usual practice was to telephone the finance section of the Parliamentary Library, which held the master copies of purchase orders, and request cancellation. No record was kept within PISO indicating the reasons for such cancellations.²⁷

3.37 Unfortunately, no record of the reasons for cancellation was ever kept by the finance section of the Parliamentary Library either. As the Committee was unable to obtain the reason for cancellation of the purchase order on Triffett's Discounts, which was raised through the Department of the Senate, nor the name of the officer authorising the cancellation, it would appear that the Department of the Senate's system of monitoring purchase orders is also deficient.

24. Evidence, p. S 317.

25. Evidence, p. 105.

26. Evidence, pp. 694-5.

27. Evidence, pp. 695-6.

3.38 As Mr Michael Watson, the Assistant Director of Financial Services in the Parliamentary Library remarked:

If, following advice of their cancellations reasons had been sought for such, this may have revealed that the purchase was handled outside of the official purchasing channels.²⁸

3.39 The Committee notes, however, that prior to this Inquiry, Mr Watson had not seen any reason to query the cancellation of requisitions.²⁹

3.40 The Committee views this lack of monitoring and documentation of purchase order cancellations as a serious deficiency in the internal control procedures exercised by both the Parliamentary Library and the Department of the Senate. The Committee is unaware of the procedures in place in the other Parliamentary and Executive Departments to ensure proper control.

3.41 The Committee therefore recommends:

All Commonwealth Departments ensure that cancellation of purchase order requests be clearly documented to show on whose authorisation the cancellation was made and for what reason.

Division of Responsibilities between PISO and the Financial Services Section of the Parliamentary Library

3.42 When PISO was set up in January 1988 it was located in the Parliamentary Library. According to the Library's Assistant Director of Financial Services, Mr Watson, "No formal agreement was developed on the nature, or extent of management services and, in particular, financial services to be provided by the Parliamentary Library to PISO."³⁰ Furthermore, no additional staffing resources were provided to the Library on the creation of PISO. Nevertheless, an informal understanding developed of the role and responsibilities of the Library's Management Services Branch in providing services to PISO.³¹

28. Evidence, p. 711.

29. Evidence, p. 734.

30. Evidence, p. 705.

31. Evidence, p. 706.

3.43 The following functions were undertaken by the Financial Services and General Services Sections of the Parliamentary Library on behalf of PISO:

- . funding requisitions received from PISO which had been prepared by PISO's Planning and Administration Section
- . until February 1989, these requests were approved by a delegate in the Library and following this they were approved 'subject to funds availability' by the relevant delegate in PISO or the Parliamentary Library;
- . from January to October 1988 purchase orders were raised by the Library's Office Services Section
- . at its own request, PISO commenced raising its own purchase orders in October 1988 and these were sent with the requisition for approval by the delegate;
- . the payment of accounts;
- . co-ordination of and policy advice on budgets and submissions to the Department of Finance and to Estimates Committees;
- . receipt of public monies and maintenance of debtors records;
- . advice, as requested, on financial policy and procedures development; and
- . maintenance of accounting records and the provision of financial statements.³²

3.44 One witness to the Inquiry, Mr Geoffrey Harber, told of problems which were experienced because of the division of responsibilities between PISO and the Parliamentary Library:

When PISO was in its early days, there were arguments between PISO and the Library about the level of service provided, and this placed pressure on the Library Finance Section to acquiesce in most PISO actions with minimum delay; to do otherwise brought reproach and potentially exceeded the capacity of that section.³³

32. Evidence, p. 706.

33. Evidence, p. 350.

3.45 Mr Watson denied that the Library acquiesced in this way. He told the Committee:

The Library stood its ground in regard to ensuring that proper accountability was ensured. Some of the letters that Mr MacLean tendered in his evidence, in relation to his conveyance of our concerns to PISO, were evidence of the fact that we were not acquiescing. Given that that administration had been established for what they [PISO] believed to be good reasons, and they wished that to remain, we did move to work within that area of operation.³⁴

3.46 Against this background, Mr Watson advised, one of the controls the Library wished to maintain was an overview examination of PISO's purchase requisitions. PISO had argued that it had its own purchasing procedures in place; after seeing these, the Library decided those procedures could be relied upon. Mr Watson's summation was:

...in some respects we did take a backward step but we did it on the basis that PISO had assured the Parliamentary Librarian that it had administrative arrangements or policy and procedures which were in place.³⁵

3.47 In the Committee's view, however, there should have been periodic review by the Library of those procedures, as ultimate responsibility rested with the Library.

Discovery of the 'Unofficial Account'

3.48 It was following an organisation review workshop held at the Hilton Hotel in Sydney on 29-30 June 1989 that the existence of PISO's 'unofficial account' came generally to light, and set in train a series of investigations by the Parliamentary Librarian, Mr Hillas MacLean, the Auditor-General, Senate Estimates Committee A and finally this Inquiry. Although by this time (June 1989) the 'unofficial account' had been in operation for a year, prior to the workshop only a small number of PISO and Computer Power personnel were aware that credits from the sale of the Parliament's surplus Honeywell computing equipment had not been

34. Evidence, p. 727.

35. Evidence, p. 727.

used to discount purchases of new computer acquisitions but had, in fact, been used for general purposes within PISO.

3.49 The Parliamentary Librarian advised the Committee that he became aware in late June or early July 1989 of the possible existence of an 'unofficial account' in PISO. At this time, suspicions were conveyed to him that the organisation review workshop "might have been paid for by Computer Power."³⁶ Chapter 4 of this report provides a detailed account of the circumstances relating to this workshop.

3.50 The Manager of the Computers and Communications Branch in PISO, Mr Harber, told the Committee that, to the best of his recollection, he spoke to the Parliamentary Librarian on 27 June 1989 to find out whether the Manager of PISO, Mr Goodall, was planning to go interstate at the end of that week.³⁷ Mr Harber had heard a suggestion that Mr Goodall and others might have been visiting Sydney. Because communication within PISO was not very good, the only way he could find out whether this was true was by asking the Parliamentary Librarian.³⁸ The Parliamentary Librarian confirmed that there was a workshop taking place in Sydney and he had approved the use of the office car by the Manager. The Parliamentary Librarian also told Mr Harber that "the only cost would be the use of the car as they were being accommodated privately."³⁹

3.51 Mr Harber advised the Committee that:

The next thing I knew was that, in the week after the workshop had occurred, there were suggestions within PISO that this workshop had taken place not just in Sydney but in the Hilton Hotel, and that that perhaps may not have been the most appropriate venue for it. Then it was a day or two after that when Paul Lanham from Computer Power...advised me ...that Computer Power had been directed that it was to pay for the workshop from the credits from the sales of equipment. That was, of course, the first time I was aware that there were any credits still outstanding.⁴⁰

36. Evidence, p. 441.

37. Evidence, p. 347, p. 359.

38. Evidence, p. 357.

39. Evidence, p. 347.

40. Evidence, pp. 357-8.

3.52 Mr Harber reported this information to the Parliamentary Librarian, who advised him that other staff members had raised with him their concerns about happenings in PISO, including rumours about the existence of an account.⁴¹

3.53 On 17 July 1989 the Parliamentary Librarian requested Mr P K MacGregor, a consultant who was to undertake a post-implementation management review of PISO, to also investigate whether an unofficial fund existed in PISO. The then Senior Private Secretary to the President of the Senate was informed of this on approximately 26 July 1989. On 3 August 1989 Mr MacGregor made an oral report indicating that such an account did exist and that it contained funds received from the disposal of Honeywell computing equipment. Mr MacGregor's interim report of 8 September 1989 indicated that in his opinion - which was not a legally qualified one - proper procedures had not been followed in relation to the Honeywell disposal and he suggested that it might be appropriate to obtain a legal opinion. The Parliamentary Librarian informed the President's Senior Private Secretary of the findings of the MacGregor report and indicated that he was contemplating seeking assistance from the Audit Office. On 13 September 1989 the Audit Office was called in to investigate the matter.⁴² As indicated in Chapter 1, this set in train the series of events which has culminated in this Inquiry.

3.54 The Committee notes that while the term 'unofficial account' is used throughout the report the account was, in fact, an **illegal** account.

41. Evidence, p. 358.

42. Evidence, pp. 441-2.

Chapter 4

ORGANISATION REVIEW WORKSHOP

4.1 Chapter 5 of the Auditor-General's report details the circumstances relating to the expenditure of \$1629.35 from the 'unofficial account' on an organisation review workshop held at the Sydney Hilton Hotel in June 1989. However, because significant new information has come to light during the course of this Inquiry the Committee believes it is important to record a full explanation of the events and payment arrangements relating to the workshop. The episode is also important because it reveals inconsistencies in the evidence concerning Mr Goodall's knowledge of the 'unofficial account'.

Conduct of Workshop

4.2 The organisation review workshop was held at the Hilton Hotel in Sydney from Thursday, 28 June to Friday, 29 June 1989. It was attended by Mr Goodall, the Manager of PISO; Mr Mullane, PISO's Director of Planning and Administration; Mr Blume, PISO's Director of Special Projects; and Mr Galbraith, PISO's Assistant Project Manager who was a contractor employed by Computer Power.

4.3 The purpose of the workshop was to prepare a report for the Presiding Officers on PISO's establishment requirements for 1989-90. Preliminary work had already been undertaken, including submissions from PISO's Directors on their sections' requirements and an assessment of the submissions by an independent consultant.¹

Choice of Location

4.4 Mr Goodall informed the Committee that he decided to hold the workshop outside Canberra for a number of reasons, including the fact that innumerable calls were being made on his time during his final two weeks in PISO. Sydney was chosen as the appropriate location because there was an outstanding

1. Evidence, p. 366.

invitation for PISO to see the Australian Broadcasting Corporation (ABC) if problems occurred with the audio-visual material to be considered.²

4.5 The reason for travel given on Mr Goodall's movement requisition for attendance at the workshop was stated as:

Sydney based primarily because of ABC input required on s + v [sound and vision] portion.³

4.6 However, no such reason is given on the movement requisitions for covering the attendance of Mr Blume and Mr Mullane at the workshop. Both Mr Mullane⁴ and Mr Galbraith⁵ denied any prior knowledge of possible ABC involvement in the workshop; certainly in the event, no ABC input to the workshop occurred.

4.7 Mr Mullane was requested by Mr Goodall on 26 or 27 June to arrange the workshop for 29 and 30 June 1989 in Sydney and to organise a suitable venue.⁶ Mr Mullane first of all attempted to book a committee room at the Commonwealth parliamentary offices in Sydney but, as that was booked out for the days concerned, he contacted the Hilton. He recommended the Hilton's "Business Centre" as a suitable venue and Mr Goodall approved this as the location for the workshop.⁷ No other possible venues were investigated by Mr Mullane.

4.8 In the Committee's view, there are often cogent arguments for deciding to hold a particular workshop or seminar outside the normal place of work. In determining an external location, however, a judicious approach needs to be taken to ensure that the taxpayers' interests are also safeguarded. In this particular case, the Committee is not convinced that the taxpayers' interests were well served in holding the workshop in Sydney at the Hilton Hotel; many less costly options would have been available to Mr Goodall to achieve his stated purpose.

2. Evidence, pp. 25-6.
3. Evidence, p. 185.
4. Evidence, p. 372.
5. Evidence, p. 313.
6. Evidence, p. 367.
7. Evidence, p. 372.

Authorisation of Expenditure

4.9 Mr Mullane told the Committee that it was his decision to use the money from the 'unofficial account' to fund the workshop but he believed he was acting in the spirit of the instructions he had been given by the then Manager, Mr Goodall.⁸

4.10 Following Mr Goodall's approval of the Hilton Hotel as the venue for the organisation review workshop, Mr Mullane requested Computer Power's Prime Contract Manager, Mr Lanham, to confirm reservations for accommodation at the Hilton and the use of the Business Centre. He advised Mr Lanham that the accommodation and workshop venue costs only were to be met from PISO's credit with Computer Power and that any other expenses incurred would be repaid to Computer Power.⁹

4.11 The Committee was told that this arrangement was analogous to that used for a strategic and technical directions workshop which had been held at Bowral in New South Wales earlier that year. This latter workshop had comprised representatives from Computer Power and some of its sub-contractors, PISO and other departmental staff and was funded by Parliament's vendors, with staff offsetting costs to the extent of their travelling allowance.¹⁰

4.12 Mr Lanham confirmed that, following a request from Mr Mullane, he telephoned the Hilton and made bookings which were followed up by a letter faxed to the Hotel.¹¹

4.13 Regarding the costs for the workshop, Mr Lanham advised that:

...the initial request from PISO to cover the costs of the Hilton workshop was from Mr Goodall but subsequently in organising the details of that workshop I dealt with Mr Mullane.¹²

8. Evidence, pp. 374-5.

9. Evidence, p. 367.

10. Evidence, p. 367.

11. Evidence, p. 658.

12. Evidence, p. 657.

This was a verbal request only and there is no documentary evidence of Mr Goodall's authorisation of this expenditure.¹³

4.14 Mr Lanham told the Committee that the expenditure from the 'trade-in' funds on the workshop struck him "as being a little unusual" and he raised the matter with Mr Cotterill, who in turn raised it with his general manager at Computer Power, Mr James. He went on:

After the workshop because I still thought it was a little unusual, I raised it with the other senior manager within PISO to whom I worked; that was Mr Harber. I mainly did that because I knew that Mr Goodall was leaving shortly after that and I wanted to make sure that other members on the senior management at PISO understood what the situation was.¹⁴

4.15 As indicated in paragraphs 3.51-3.52, Mr Harber confirmed that Mr Lanham had discussed this matter with him and that Mr Harber had subsequently conveyed this information to the Parliamentary Librarian.

4.16 The Committee examined Mr Lanham very carefully on the matter of Mr Goodall's alleged authorisation of the expenditure on the organisation review workshop because, throughout the Inquiry, Mr Goodall steadfastly denied any knowledge of the existence or operation of the 'unofficial account' during the time that he was Manager of PISO.

4.17 At Mr Lanham's initial appearance before the Committee on 15 August 1990, he reiterated statements he had made in his initial submission to the Inquiry, that Mr Goodall had authorised the expenditure of funds from the 'unofficial account'. The Committee then recalled Mr Goodall and questioned him again about this matter. The Chairman asked Mr Goodall:

CHAIRMAN - Do you still deny any knowledge of the existence of the unofficial account while you occupied the position of manager?

Mr Goodall - I do, Mr Chairman.

13. Evidence, pp. 657-8.

14. Evidence, p. 659.

CHAIRMAN - Do I take it from that that your position must be that Mr Lanham is giving false evidence to the Committee?

Mr Goodall - I have not seen Mr Lanham's words, and for most of the time that PISO was in operation, Mr Cotterill was Computer Power's representative. I am also unaware of the purchases made out of such an account in the period that Mr Lanham was there. I have not seen his words, but that must be the conclusion.¹⁵

4.18 The Chairman then read to Mr Goodall the relevant part of Mr Lanham's submission and asked him why the Committee should believe his testimony, to which Mr Goodall responded:

Mr Goodall - In this respect I cannot help the Committee. The course of events that I outlined in my submission and that I recommended the trade-in approach to the disposal were true. Subsequent to that I was not aware of, and the operation of that account was not brought to my attention, from my recollection. I can think of circumstances. I know there are various interpretations of approving the expenditure for going to Sydney for the workshop. On many occasions Computer power managers in PISO came to me and said, 'This is what so-and-so in PISO is arranging. Have you authorised that?' and I have said, 'Yes'.¹⁶

4.19 Subsequent to this, Mr Lanham made a supplementary submission to the Inquiry confirming that the statements made in his original submission and in oral evidence were accurate recollections of the matters and events being examined.¹⁷ At a public hearing on 12 September 1990, Mr Lanham was asked by the Committee to provide a detailed description of Mr Goodall's verbal request that authorised the expenditure of funds from the 'unofficial account'. Mr Lanham replied:

Whilst I cannot recall the exact conversation that I had with Mr Goodall, I can certainly recall the feeling that I had and the impression that I had from that conversation, and I can relate that to you now. I believe that he said words to the effect of, 'We are having this workshop and I would like CP to cover the

15. Evidence, p. 877.

16. Evidence, p. 878.

17. Evidence, p. 923.

cost of it from the money which you hold for PISO. Is that okay?¹⁸

4.20 At that same public hearing, Mr Cotterill also told the Committee that he believed that Mr Goodall was aware of the existence of the 'unofficial account'. Although his recollection was a little hazy, he recalled having one direct conversation with Mr Goodall about the account:

It was a conversation in early 1989 with Mr Goodall and I think Mr Mullane, but I cannot be sure of that - it may have been Mr Blume or someone else - where there was discussion about there being a shortage of funds. I did remind that group that there were still the trade-in discounts to be obtained.¹⁹

4.21 Mr Cotterill impressed upon the Committee that the term 'account' would not have been used as this only became in vogue when the Auditor-General's investigation started:

We would have talked about trade-in credits or trade-in moneys.²⁰

4.22 In the light of the evidence presented above by Messrs Mullane, Lanham and Cotterill, the Committee is unable to accept Mr Goodall's assertion that he had no knowledge of the existence or operation of the 'unofficial account' during the time he was Manager of PISO.

Travel and Accommodation Arrangements

4.23 Mr Blume and Mr Mullane flew to Sydney on the evening of 28 June 1989, Mr Galbraith flew to Sydney on the morning of 29 June 1989, while Mr Goodall drove to Sydney in the office car. Mr Galbraith returned to Canberra by air in the late afternoon of 30 June and Messrs Goodall, Blume and Mullane returned by car on 1 July 1989.

18. Evidence, p. 941.

19. Evidence, pp. 947-8.

20. Evidence, p. 948.

4.24 Messrs Blume and Mullane stayed at the Hilton on 28, 29 and 30 June 1990. They repaid to Computer Power the sum of \$285 to cover the non-accommodation part of their bill.²¹ This in fact exceeded the actual amount charged by \$20.65, reducing the sum expended from the 'unofficial account' on the workshop from \$1650 to \$1629.35.²²

4.25 Mr Galbraith stayed in the Hilton Hotel on the night of Thursday, 29 June only. He did not also stay at the Hilton on Wednesday 28 June, as indicated in the Auditor-General's report. Mr Galbraith told the Committee that the Auditor-General's office was advised of this but that it obviously did not get into the final report.²³

4.26 Mr Galbraith advised the Committee that he had been told that, while accommodation for the workshop had been arranged, he would need to make his own travel arrangements. Sometime after his arrival back in Canberra, Mr Cotterill had told Mr Galbraith that the accommodation charges for the workshop had been debited against money from the 'unofficial account'. In Mr Galbraith's words, this:

...was effectively the first time I had ever heard of any of the trade-in value remaining as a residual amount of money. My impression was that it was an issue that had been dead and gone for quite a long time and we had moved on to many other jobs, so I was quite surprised.²⁴

4.27 Mr Cotterill requested Mr Galbraith to reimburse Computer Power for the total amount of his bill at the Hilton, which came to \$597.95. Mr Galbraith wrote a cheque to Computer Power for this on 1 August 1989. According to Mr Galbraith:

Apparently there was an extra room charge and it was about then that I realised, or discovered, that Mr Goodall had, in fact, used the room that night. Since I was going to be out of pocket for a room charge that I had not actually used - working on the basis of reimbursing Computer Power so that it could reimburse

21. Evidence, p. 625.

22. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, Canberra, 1989, p. 17.

23. Evidence, p. 313.

24. Evidence, p. 328.

the special account - I was advised by Mr Cotterill to raise an invoice for those amounts.²⁵

4.28 Mr Cotterill advised the Committee that he had intended to invoice PISO for Mr Galbraith's expenses for the Thursday only. However, the payment of Mr Galbraith's expenses triggered the automatic generation of an invoice to PISO for the total amount of his expenses. Mr Cotterill further advised the Committee that at the time of the ANAO investigation of the 'unofficial account' he was unaware that this invoice had been issued. When Mr Cotterill discovered the invoice he intended to cancel it and issue an amended invoice.²⁶

4.29 Mr Goodall stayed in private accommodation on 28 and 29 June and stayed at the Hilton Hotel on the night of 30 June in the room vacated by Mr Galbraith. According to the Auditor-General's report, Mr Goodall informed the Australian National Audit Office during its investigation of the matter that he stayed at the Hilton on that night at his own expense, that is, at no cost to either Computer Power or the Commonwealth.²⁷

4.30 Mr Cotterill told the Committee that he had made an agreement with Mr Goodall to offset the cost of the room he had occupied at the Hilton against some Parliament House catering bills which Mr Goodall had paid on behalf of Computer Power. These expenses had been incurred after demonstrating Parliamentary systems to prospective state government clients of Computer Power.²⁸

4.31 Mr Cotterill was to advise Mr Goodall of the difference in costs but, due to pressure of other work, he did not pursue the matter until the publicity generated by Senate Estimates Committee A increased the urgency. Mr Cotterill discussed the reconciliation of expenses with Computer Power's General Manager and was advised that, in line with company policy, the invoice for Mr Galbraith's expenses should stand as it represented expenses incurred by Computer Power on behalf of PISO. He was also advised that Mr Goodall should settle the account for his stay at the Hilton directly with the Parliamentary Library. Mr Goodall was notified of these revised arrangements by letter on 30 November 1989. Mr Cotterill also advised the Audit Office of these details.²⁹

25. Evidence, p. 329.

26. Evidence, p. 626.

27. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, p. 18.

28. Evidence, p. 626.

29. Evidence, pp. 626-7, 634.

4.32 Mr Goodall repaid to the Department of the Parliamentary Library the sum of \$234 on 30 November 1989, for the cost of his stay at the Hilton Hotel on 30 June 1989.³⁰ The Committee notes that this was the day following the tabling of the Auditor-General's report.

4.33 The Auditor-General's report recommended that:

8.1(d) the two PISO officers who stayed at the Hilton International Hotel at Commonwealth expense through the 'unofficial account', be asked to pay to the Collector of Public Moneys the expenditure incurred in excess of the Sydney accommodation component the Australian Public Service Travelling Allowance.³¹

4.34 The two officers concerned are Mr Blume and Mr Mullane. The Parliamentary Librarian sought the advice of the Attorney-General's Department in relation to this recommendation and on the basis of that advice he:

wrote to Mr Mullane on 2 February 1990 indicating that he would forward to the Collector of Public Moneys the cheque for \$330 which Mr Mullane had sent to him on 3 November 1989; and

wrote to Mr Blume on 2 February 1990, and again on 7 May 1990, requesting him to pay to the Collector of Public Moneys the sum of \$330, the difference between the accommodation costs incurred and the public service travelling allowance entitlement.

4.35 In each case, the Parliamentary Librarian noted the advice of the Attorney-General's Department that the officers could seek a waiver of the debt.

4.36 As he had foreshadowed in a minute dated 6 November 1989 to the Parliamentary Librarian following the release of the Auditor-General's initial report on the 'unofficial account', Mr Blume refused to repay this money, as in his view he

30. Evidence, p. 124.

31. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, p. 24.

owed no debt to the Commonwealth.³² Notwithstanding this, in letter to the Parliamentary Librarian dated 13 June 1990 Mr Blume sought, without prejudice, a waiver of the debt.

4.37 Similarly, Mr Mullane wrote to the Parliamentary Librarian on 20 June 1990 seeking without prejudice that his debt to the Commonwealth be waived and that he be reimbursed the amount of \$330.

4.38 The Parliamentary Librarian did not respond to these requests. He had sought to have the Department of the Parliamentary Reporting Staff (DPRS) follow up this issue; however, the Secretary of the DPRS advised him on 6 September 1990 that:

As the matter occurred while PISO was within the Library, my view is that the matter of pursuing any outstanding debts continues to be the Library's responsibility.³³

4.39 To date, the Parliamentary Librarian has not finalised the matter, even though he remains the responsible officer.

4.40 Mr Blume resigned on 11 October 1990, with this debt still unpaid and without a decision having been made on his request for a waiver.

4.41 Notwithstanding the fact that the costs involved in recovering the debt may be greater than the sum involved, the Committee recommends that:

The Parliamentary Librarian take appropriate action to recover from Mr Blume his outstanding debt of \$330 to the Commonwealth.

32. Evidence, p. 93.

33. Evidence, p. S 377.

Chapter 5

MANAGEMENT ISSUES

5.1 During the course of the Inquiry, the Committee received a great deal of evidence concerning firstly, the nature of PISO's reporting relationships with the Parliamentary Librarian and the Presiding Officers and secondly, Mr Goodall's management of PISO. This Chapter examines both of these issues from the viewpoint of their impact on the exercise of proper managerial control and accountability.

Management Structure

5.2 At the time of the operation of the 'unofficial account', the Department of the Parliamentary Library had administrative responsibility for PISO, although PISO's Manager had direct access to the Presiding Officers in relation to information systems policy matters. The Parliamentary Librarian is the Secretary of that Department for the purposes of the Public Service Act 1922. With some specific variations, the legislative and regulatory environment of the Department is broadly comparable to that of Departments of State. Under Section 9 of the Act, the President of the Senate and the Speaker of the House of Representatives have joint ministerial responsibility for the Department.¹

PISO's Reporting Relationships

5.3 PISO was established with effect from 4 January 1988. Contrary to the recommendation which Mr Goodall had put forward in his Proposal for the Creation of the Parliamentary Information Systems Office² that this new central information systems unit be established within the Joint House Department, it was placed in the Department of the Parliamentary Library.

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1. Department of the Parliamentary Library. Corporate Strategic Plan 1989/90, p. 1.
 2. Evidence, p. 863.

5.4 In that Proposal, Mr Goodall also recommended that the head of PISO should have direct access to the Presiding Officers.³ The Presiding Officers' advice of 23 December 1987 to the Parliamentary Librarian informing him of their decision to set up PISO, states that:

Although the positions have been created in the Parliamentary Library, the Manager of the Parliamentary Information Systems Office will have direct access to us on information systems matters.⁴

That advice continued:

Our intention is to place information systems under the direction of an officer who will be accorded an appropriate degree of independence from the various departmental administrations.⁵

5.5 In his submission to the Inquiry, the Parliamentary Librarian contended that "The specific provision for the Manager, PISO, to have direct access to the Presiding Officers is not conducive, at least without agreed guidelines, to satisfactory administration."⁶ Elaborating on this issue in his oral evidence the Parliamentary Librarian stated:

...I had already been concerned about the issue of reporting responsibility from the time of the establishment of the reporting arrangements.... In public administration, as no doubt in other work environments, one must make some judgments about one's colleagues and about the possibility of making minor or fundamental changes to the operating environment of PISO's ambiguous reporting responsibilities. I did not achieve changes in those arrangements. I sought to live with those arrangements.⁷

5.6 As evidence of his continued difficulties in exercising the appropriate level of control over the former Manager of PISO, the Parliamentary Librarian

3. Evidence, p. 863.

4. Evidence, p. 865.

5. Evidence, p. 865.

6. Evidence, p. 440.

7. Evidence, p. 531.

tabled copies of two minutes he had written to Mr Goodall. The first, on 28 July 1989, outlined the Parliamentary Librarian's intention to treat PISO staff in the same way as staff of the Parliamentary Library. This minute also indicated that PISO staff were to conform to "established Departmental administrative policies, procedures and practices."⁸

5.7 In reply, Mr Goodall agreed that PISO staff should enjoy the same conditions of service and benefits as staff of the Parliamentary Library. With regard to the adoption to the Library's administrative processes and procedures, however, Mr Goodall continued that:

It would be impractical and inimical to the effective performance of its role for PISO to be integrated to the extent implied in your fax..... In my role as manager I have an obligation and duty to report directly to the Presiding Officers and to all departmental heads on information systems matters. Likewise, PISO's duties and obligations are to all Senators and Members, then staff and the five Parliamentary departments. The administration of PISO has to accord with the needs and responsibilities to all five Parliamentary departments, both because of its charter and because the funding for the Parliament's information technology program remains spread across all departments.⁹

5.8 The second minute to Mr Goodall which the Parliamentary Librarian tabled was dated 21 October 1988 and concerned proposed delegations for PISO. In this minute the Parliamentary Librarian expressed his strong disapproval of Mr Goodall having made a direct approach to the Presiding Officers on proposed delegations for PISO:

I should like to know what delegations you have proposed to the Presiding Officers, apart from the single one which is included with those you sent me. I must say I find it difficult to reconcile your direct approach to the Presiding Officers on this matter with your earlier protestations to me (and to the interview panel) that you have a clear understanding of the relationship with your Departmental Head and the proper procedures and responsibilities arising out of that relationship. I am fully aware of the Presiding Officers' wish that you have direct access to them and I have never

8. Evidence, p. 538.

9. Evidence, p. 535.

interfered with that. Perhaps I have misconceived the purpose of that direct access but my understanding has always been that it relates to the responsibilities specifically given to PISO and does not extend to administrative matters arising out of PISO's attachment to this Department. I find it extraordinary, therefore, that in a matter as important as delegations, you have approached the Presiding Officers direct. I am not even consulted; simply informed after the event.¹⁰

5.9 No reply was received by the Parliamentary Librarian to this minute.

5.10 The final example cited by the Parliamentary Librarian regarding Mr Goodall's failure to report through him to the Presiding Officers concerned the transmittal of the report on the reorganisation of PISO directly to the Presiding Officers.

5.11 Despite the considerable difficulties he had in exercising managerial control over the operations of PISO and in particular over the former Manager, Mr Goodall, the Parliamentary Librarian did not discuss the reporting arrangements with the Presiding Officers until they decided to transfer PISO to the Department of the Parliamentary Reporting staff. The Committee notes that this was approximately two years after the arrangements had been put in place.

5.12 In relation to this, the Parliamentary Librarian told the Committee that, after he began to have difficulties with Mr Goodall, he considered how successful he would be if he chose to challenge the issue of direct access and how successful he would be in trying to challenge Mr Goodall's freedom of action. He judged as "very low" his chances of success as he perceived Mr Goodall to have had considerable support in Parliament.¹¹ The Parliamentary Librarian continued:

...I think the issue of direct access was firmly embedded at that time. My subsequent experience with trying to indicate a proper relationship in our annual report, while it could be dismissed as simply a dotted line and a hard line, was obviously a matter that was seriously thought about in the Presiding Officers' offices, and my attempt to show that there should be a proper relationship with PISO indicated by an ordinary administrative procedure such as one would

10. Evidence, p. 534.

11. Evidence, p. 932.

ordinarily see in an organisation chart was countermanded. I was right, therefore. I would not have won the battle if I had chosen to challenge the issue of direct access.¹²

5.13 In the 1988-89 Annual Report of the Department of the Parliamentary Library, which is approved by the Presiding Officers, the organisation chart of the Department shows a solid line from the Manager of PISO to the Presiding Officers, indicating a primary relationship, and a broken line to the Parliamentary Librarian, indicating a subsidiary relationship. The Parliamentary Librarian gave evidence that:

This was not how it went as a draft to the Presiding Officers. The draft that went to the Presiding Officers showed a dotted line from PISO to the Presiding Officers and a hard line from the head of the Department to PISO.¹³

5.14 The Committee believes that the administrative arrangement permitting the Manager of PISO to have direct access to the Presiding Officers, as indicated in the Parliamentary Library's 1988-89 Annual Report, opened up the possibility for by-passing the responsible Department Head and was unfortunate.

5.15 Notwithstanding this, the Committee is firmly of the view that, despite his perceptions about his ability to win a battle against Mr Goodall, the Parliamentary Librarian, as head of the Department in which PISO was located, had a duty to raise with the Presiding Officers the difficulties he faced in exercising this authority. The Committee notes that the duty statement for the Manager of PISO states that the Parliamentary Librarian was the immediate supervisor of this position.

5.16 As discussed in Chapter 7, the Committee notes that new arrangements have been put in place in the Department of the Parliamentary Reporting Staff, which is now responsible for PISO, which will permit a far greater degree of control of PISO by the Department Head than was formerly the case.

12. Evidence, p. 932-3.

13. Evidence, p. 543.

Auditor-General's Reporting

5.17 Given the centrality of this issue to the problems which arose with PISO, the Committee also considers that some comment is required on the Auditor-General's treatment of the issue of PISO's reporting relationships in his two reports.

5.18 The initial version of the Auditor-General's report (1 November 1989) included a discrete chapter on the reporting relationship between the Manager of PISO, the Parliamentary Librarian and the Presiding Officers. This chapter quoted written comments provided by the Parliamentary Librarian indicating his belief that it was "material to the problems which have arisen through this 'unofficial account' that the reporting responsibilities for the newly established position of Manager were not sufficiently clear."¹⁴ Reference was also made to how the reporting relationship was depicted in the Parliamentary Library's annual report, and to the fact that the situation had clarified and it was "now clear that PISO should rely fully upon the corporate services of the Library."¹⁵

5.19 This chapter was deleted from the final version of the report, with the only reference to this issue appearing as an addendum to paragraph 1.4 thus:

The Annual Report of the Department of the Parliamentary Library shows the reporting relationships in its organisation chart by using a solid line from the Manager, PISO to the Presiding Officers and a broken line to the Head of the Department.¹⁶

5.20 The Committee sought to elicit the reason for the deletion of chapter 6 of the initial version of the Audit report. In response to the Committee's questioning, the ANAO stated:

Mr Koller - The Parliamentary Librarian had consulted with us in regard to the production of the final version which was one of our normal editing processes in the case of reports,

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14. The Auditor-General. Investigation of an Unofficial Account Operated by Parliamentary Information Systems Office, 1 November 1989, p. 14.
 15. The Auditor-General. Investigation of an Unofficial Account Operated by Parliamentary Information Systems Office, 1 November 1989, p. 14.
 16. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office. AGPS, 1989, p. 4.

and he felt with hindsight that it would be better if we did not make an issue of the comment he provided to us.

Senator BISHOP - Why?

Mr Koller - That was his prerogative. It was a written note that he had provided to us. Originally, he felt that it should be in our report. Therefore, it was put in the earlier version in accordance with his request, but he made a later decision that he did not wish it to be in the report and we acceded to his request.

Senator BISHOP - But this is the Australian National Audit Office report. You determine what goes in the report and what does not go in the report.¹⁷

5.21 To further questioning about the reason for the deletion, the ANAO
replied:

Mr Martin - We did not think it changed the general thrust of the report to omit that particular material.

Senator BISHOP - Then why did he ask? If it did not matter, why did he ask for it to come out?

Mr Martin - I can only construe that he did not wish to highlight that particular matter of his problems with PISO.¹⁸

5.22 Subsequently in evidence to the Committee, the Parliamentary
Librarian proffered this explanation of his request to the ANAO:

Let me also make this clear: I was not happy that the ANAO, in its 1 November interim report, simply inserted an opinion of mine. That is, I would have preferred the Audit Office to weigh the matter and express a view of its own, not simply express mine. If a comment of mine, at any stage, intended to reflect such a concern, has been interpreted by ANAO in any other way, that was an incorrect interpretation. Certainly the Audit Office should have been in no doubt about my views,

17. Evidence, p. 151.

18. Evidence, p. 152.

including in relation to the chart in the annual report to which they refer.¹⁹

5.23 On 5 July 1990, Mr Martin wrote to the Committee advising that, while Mr MacLean had requested the deletion, Mr Martin's explanation to the Committee had not accurately reflected the reason for the request, and he had therefore apologised to Mr MacLean, accepting without reservation his recollection of the matter.²⁰

5.24 The Committee has a high regard for the work of the Auditor-General and has developed a solid working relationship with him in furthering the practice of accountability. As argued in the Committee's Report 296 The Auditor-General: Ally of the People and Parliament²¹, the Auditor-General is the linchpin in ensuring that Federal government organisations and officials are answerable to Parliament for their actions and decisions.

5.25 For Parliament and the people to have confidence in the work of the Auditor-General and his staff, however, they need to be assured that independent judgement has been exercised at all times. In the instance cited above, the Committee concludes that the Auditor-General should have been more vigilant in the nature of his reporting on this matter.

Management of PISO

5.26 Mr Goodall's management style is, in the Committee's view, also very pertinent to the issue of accountability. The author of one submission characterised it as appearing to be based on "A Bias for Action" as described in Chapter 5 of "In Search of Excellence" and quoted from the following paragraph of that book:

... we observed all sorts of strange goings-on. There were a score or more casual meetings in progress with salespeople, marketing people, manufacturing people, engineering people, R & D people - even accountants - sitting around, chattering about new-product problems. ... We didn't see a single

19. Evidence, p. 530.

20. Evidence, p. S 291.

21. Joint Committee of Public Accounts. The Auditor-General: Ally of the People and Parliament, AGPS, Canberra, 1989.

structured presentation. It went on all day - people meeting in an (sic) seemingly random way to get things done.²²

The submission continued:

He encouraged small informal groups to undertake projects such as this [the Honeywell disposal]. His typical style was to take the project leader selected for a task to a coffee lounge in Manuka or Kingston and describe what he wanted accomplished. He would often suggest other officers who might be approached for ideas or other contributions. It was left to the project leader to take notes and seek clarification as he thought necessary. Once given a task, the project leader ran the project using his own initiative. He would report back to Mr Goodall, usually orally. This technique was both effective and efficient and a lot of results were produced in a very short time. He was fond of describing PISO as a "can do" organisation which it was.²³

5.27 According to the author of this submission, this management style had weaknesses which were not addressed, including the fact that support staff who were consulted by the project leader were not necessarily aware of the full story or all that was expected of them. In addition, division was created within PISO by the existence of these small groups and the coffee sessions, with PISO staff being regarded as either in or out of favour, depending on how frequently they were invited.²⁴

5.28 Mr Goodall agreed that the nature of his management style was "to hold meetings all of the time with various people."²⁵ He also told the Committee that:

I always encouraged lateral thinking, an entrepreneurial approach to things, and I was not interested in 'No, you cannot do something because of'. I was more interested in 'How do you get this job done?'²⁶

22. Evidence, p. 249.

23. Evidence, p. 249.

24. Evidence, pp. 249-50.

25. Evidence, p. 42.

26. Evidence, p. 35.

5.29 Unfortunately, the pursuit of this style of management was in conflict with public sector control processes for ensuring accountability.

5.30 In recent years, substantial reform has taken place in the way in which public sector resources are managed and accounted for. The catch-cry of this so-called 'new managerialism' is 'let the managers manage'. Central to the reform process has been substantial devolution of control, not only from the central co-ordinating bodies to departments and agencies but also within departments and agencies themselves.

5.31 While the Committee has welcomed the wide range of public sector reforms, the devolution of control must always be matched by clear lines of responsibility and effective accountability mechanisms.

5.32 In relation to the management of the Honeywell disposal and subsequent establishment of the 'unofficial account', these two essential ingredients were missing. In his submission to the Inquiry, Mr Goodall asserted that:

... I delegated administrative matters such as disposal of assets to others. In this case, I had two senior officers Mr John Davies (identifying the equipment) and Mr Jim Galbraith (identifying disposal options) who reported to an SES Level 1 Officer, Mr Geoff Harber on the matter. In addition to this high level team I assigned another ASO Level 3, Mr Brian Robinson to advise on the suitability of options which the technical managers recommended.²⁷

Mr Goodall used almost identical words in a letter dated 1 December 1989 to the Chairman of Senate Estimates Committee A following its report on PISO.

5.33 All of the above-mentioned officers, however, disputed that that was an accurate description of the responsibilities in regard to the disposal.

5.34 Mr Robinson advised the Committee that:

In the trade-in, I was unaware that there was a team, and that I had been appointed by Mr Goodall to advise it on the

27. Evidence, p. 4.

suitability of options which another member recommended. I believed I was making suggestions to Jim Galbraith to assist him with a project he had been given.²⁸

5.35 Mr Galbraith gave evidence that he did not explicitly report to Mr Harber on the issue of the disposal and that:

Decommissioning and disposal by whatever means of obsolete or incompatible equipment was a project that was assigned to me directly by the manager.²⁹

5.36 Mr Harber denied that he was a member of a high level team managing the disposal exercise and stated that, while Mr Galbraith reported to him in respect of his line management role, he did not report to him in respect of the Honeywell disposal.³⁰

5.37 While Mr Davies agreed that his role was identifying the equipment, he questioned Mr Goodall's assertion about existence of the four-member team handling the disposal. In his submission to the Committee, Mr Davies stated:

At the time, I heard no mention of a "team", I saw nothing written down about a team, and the identified group of individuals never met to discuss this or any other matter.³¹

Furthermore, Mr Davies asserted that:

This appears to be an attempt by Mr Goodall, firstly to direct attention away from the matter of the "account" to the matter of the trade-in/disposal, and secondly to focus attention on particular individuals to the exclusion of other, probably more important, players, including himself.³²

28. Evidence, p. 249.

29. Evidence, p. 320.

30. Letter dated 19 December 1989 from Mr Harber to the Secretary of Senate Estimates Committee A.

31. Evidence, p. 665.

32. Evidence, p. 665.

5.38 On his own admission, Mr Goodall "did not follow through"³³, yet he allocated various aspects of the disposal to individuals in such a way that no one senior officer within PISO (other than himself) had overall responsibility and accountability for this task. Those individuals who advised Mr Goodall on the disposal options and made the recommendation to trade-in the surplus Honeywell equipment on new equipment were not involved in the administrative arrangements flowing on from the adoption of this recommendation.

5.39 Mr Harber, Mr Robinson, Mr Galbraith and Mr Davies advised the Committee that they were unaware that the 'unofficial' account had been set up as a result of the disposal action.³⁴

5.40 In evidence to the Committee, Mr Goodall admitted that he believed he was responsible for creating the climate in which the breaches identified by the Auditor-General occurred.³⁵ The Committee clearly sees this as part of the responsibility which Mr Goodall must shoulder in relation to the 'unofficial account'.

5.41 The Committee notes that the information systems for the new Parliament House were installed in a very tight timeframe. Nevertheless, the Committee believes that this in no way justifies the very serious shortcomings in the management of PISO nor the lack of adherence to established public sector procedures.

33. Evidence, p. 36.

34. Evidence, pp. 247, 302-3, 345, 664.

35. Evidence, p. 41.

Chapter 6

OTHER ISSUES

6.1 Several issues not directly connected with the terms of reference arose during the course of the Inquiry, which the Committee believes warrant comment.

Advance Payments to Computer Power

6.2 The Australian National Audit Office's audit of the Department of the Parliamentary Library's 1988-89 financial statement identified a number of weaknesses in internal control and breaches of legislation, including a number of matters relating to PISO. These were referred to the Parliamentary Librarian on 12 January 1990.

6.3 Among the items referred was an advance payment in June 1989 of \$239,485 to Computer Power for consulting services to be performed during the period 3 July to 22 December 1989. In Audit's view "the prime motivation for the advance payment was ...to avoid the lapsing of the appropriation on 30 June 1989". This particular matter was brought to the Parliamentary Librarian's attention by the Australian National Audit Office on 13 November 1989.¹

6.4 At a public hearing, the Committee asked the ANAO whether an audit would detect this sort of payment as part of a normal end of financial year balance check. The ANAO responded that the account had come up for scrutiny during this process:

...but the person conducting the scrutiny and his supervisor had not gone far enough into the transaction. They had just said, 'Oh yes, they have a consultancy arrangement with Computer Power' but they did not go through the details of what period the account covered.²

1. Evidence, pp. 134-5.
2. Evidence, p. 223.

The ANAO informed the Committee that individuals concerned were aware of their mistake and had given an assurance that it would not happen again.³

6.5 The ANAO later advised the Committee that it had subsequently discovered an earlier advance payment to Computer Power of \$486,200 in June 1988. This had been made by the Department of the Senate on the authorisation of PISO.⁴ Once again, the ANAO had concluded that the prime motivation for the advance was to avoid the lapsing of appropriation, which was a breach of Finance Direction 8D as it applied at the time.⁵

6.6 The Department of the Parliamentary Reporting Staff, which is now responsible for PISO, subsequently advised the ANAO that, while its records were inadequate for it to comment with any certainty, on the balance of probabilities the payment appeared to have been made to avoid the lapsing of appropriation.⁶

6.7 The Committee raises the issue of the advance payments to Computer Power for two reasons. Firstly, the Committee had been told that the reason that the proceeds from the 'trade-in' of the Honeywell computing equipment were diverted from offsetting the costs of new computer purchases was because "there were no funds available for the fit-out of the new Parliament House training rooms in any of the budgets that we had had up to that time."⁷

6.8 The Committee notes, however, that as the items required for the fit-out were of a minor capital nature, it would have been within both the spirit and the letter of the financial rules applying at the time for the fit-out to have been funded out of the Parliamentary Library's 1988-89 recurrent appropriation.

3. Evidence, p. 223.

4. Evidence, p. 224.

5. The Auditor-General. Audit Report No. 5 1990-91 Report on Ministerial Portfolios - Budget Sitings 1990, AGPS, Canberra, 1990, pp. 88-9.

6. The Auditor-General. Audit Report No. 5 1990-91 Report on Ministerial Portfolios - Budget Sitings 1990, AGPS, Canberra, 1990, p. 89.

7. Evidence, p. 112.

6.9 Secondly, the Committee was concerned to corroborate the reason for the advances, to ensure that they had not been sought by Computer Power, either to shore up its financial position or for some other purpose. In evidence to the Committee about the advance of \$239,485 to Computer Power, the former Manager, Mr Goodall had said:

At that time the environment was very different from the economic climate now. There was a lot of discussion around that if Computer Power won the Taxation Office tender then there would be a shortage of skilled consultants. There was a lot of speculation around, about both DESINE and the Taxation Office. The offer was made about retention of staff through that period, and as I understand it we then recommended to both host departments and other departments that that was an appropriate way of spending their money if they needed to.

CHAIRMAN - You said the offer was made. Who made the offer?

Mr Goodall - Computer Power would have raised with PISO the fact that contracts were coming up and asked how PISO wanted to pursue renewal for the next period.⁸

6.10 Computer Power subsequently advised the Committee that:

...whilst PISO may have felt uncertain about staff availability, Computer Power did not request the advance payment, nor consider it necessary to hold staff.⁹

6.11 Computer Power further advised that:

Computer Power would not have taken key staff from the PISO project.

Computer Power was committed, and remains committed, to the success of the project which is underwritten through the continuity of staff.¹⁰

8. Evidence, p. 889.

9. Evidence, p. S 451.

10. Evidence, p. S 452.

6.12 As indicated in paragraph 3.21, the Committee asked the ANAO to undertake a detailed examination of Computer Power's records relating to the 'unofficial account'. As part of this examination, the Committee asked the ANAO to also investigate the two advances. In particular, the Committee was seeking to establish whether the advances were properly acquitted and, more importantly, whether the receipt of either of the cash advances had a material effect on Computer Power's cash flow position - specifically, whether Computer Power was able to benefit significantly from receipt of them.

6.13 In relation to the first of these issues, the ANAO advised the Committee that the staffing arrangements detailed in the two invoices which Computer Power had issued to PISO did, in fact, reflect actual work undertaken and that the acquittal of the advances was consistent with the basis of the invoices.¹¹

6.14 In relation to the impact of the advances on Computer Power's cash flow, the ANAO advised that neither was material in terms of the balance of the account or the total receipts in the periods in question.

6.15 At the time of writing this report, the Committee was seeking additional information from Computer Power with regard to any other advance payments Computer Power may have received from Commonwealth sources in the period from the end of 1987 to the present.

Absence of Internal Audit

6.16 The Committee was shocked to discover that, at the time of the events under review, there was no internal audit function within the Department of the Parliamentary Library nor, indeed, in any of the Parliamentary Departments.¹²

6.17 In the Committee's view, internal audit is a fundamental link in the chain of accountability. Reporting directly to senior management, the role of internal audit is to ensure the adequacy of controls in place within an organisation, so that material errors can be detected and corrected.

6.18 The Committee understands that the Joint House Department has recently contracted a major accounting firm to provide an internal audit mechanism for that Department. Other Parliamentary Departments are able to tap into these

11. Evidence, pp. S 461-2.

12. Evidence, p. 710.

arrangements as discussed in Chapter 7. The Department of the Parliamentary Reporting Staff in which PISO is now located advised the Committee that it was considering taking up this facility.

6.19 The Committee is unaware if any of the other Parliamentary Departments have taken up this option or have put in place other appropriate internal audit mechanisms. The Committee therefore recommends that:

Each Parliamentary Department that has not already done so should establish, as a matter of priority, an adequately resourced internal audit function.

Quality of Documentation

6.20 Significant deficiencies in PISO's documentation of decisions and in the organisation's record-keeping in general have been highlighted during the Committee's investigation of the 'unofficial account'.

6.21 One PISO officer told the Committee:

It was not at all unusual within PISO (and I believe this "habit" emanated from the top - i.e. the Manager) for decisions to be made, and directives given, without being put down in writing. This is the main reason why I never questioned any of the oral directives I was given in this matter; oral directives were the "normal" mode of operation.¹³

6.22 The Committee experienced the consequences of this way of operating during the course of the Inquiry, when many of its requests for information could not be met. This problem had also been encountered by the ANAO in carrying out its investigation of PISO's unofficial account, as the following exchange illustrates:

Mr Martin - Part of the problem with the whole of the PISO side was that there were inadequate records of anything.

13. Evidence, p. 665.

Senator BISHOP - Did you make inquiries as to when the discussions took place, what agreements were reached and how those were documented?

Mr Koller - I certainly looked for minutes of meetings, and so on, with regard to these matters and I was advised that there were a lot of meetings but at that particular time documentations of the meetings was inadequate - in fact, non-existent most of the time.¹⁴

6.23 Similarly, the Committee found that records maintained by the former Aboriginal Development Commission (ADC) were less than comprehensive.

6.24 For example, when the Committee was unable to obtain a complete picture from PISO's records of the discussions which had taken place between PISO and ADC concerning the disposal of Parliament's Honeywell equipment, it requested the Aboriginal and Torres Strait Islander Commission (ATSIC) to undertake a search of ADC's files to fill in the missing information. Significant questions to which the Committee requested answers could not be answered with reference to ADC's files. Since the key ADC personnel involved with the negotiations with PISO in the disposals were no longer employed with ATSIC, the Committee was only able to unravel the sequence of events and the reasons for various decisions by seeking submissions direct from those personnel.

6.25 The Committee cannot emphasise strongly enough the need for all departments and agencies to maintain adequate documentation of their activities, and particularly of decisions that are made. This is vital, not only for audit purposes, but also to ensure that the corporate memory does not disappear with the inevitable turnover of staff from their organisations.

14. Evidence, p. 195.

Chapter 7

REMEDIAL ACTION TAKEN

7.1 As indicated in Chapter 1, the Auditor-General's report on his investigation of PISO's 'unofficial account' contained a number of findings which were assessed as having breached the Finance Regulations, Finance Directions, the Audit Act 1901 and sections of the Constitution. Four specific recommendations were also made, principally directed towards improving the management and accountability of PISO. This Chapter examines the action which has been taken thus far in response to the Auditor-General's report.

Steps taken by the Parliamentary Librarian

7.2 Following receipt of the initial version of the Auditor-General's report on 1 November 1989, the Parliamentary Librarian, as the responsible officer at the time, provided a copy to the Attorney-General's Department. He sought advice as to possible penalties attaching to breaches identified in the report. Subsequently a copy of the report as tabled was also provided. Copies of the Attorney-General's Department's responses were provided as attachments to the Parliamentary Librarian's submission to the Inquiry.¹ The Parliamentary Librarian informed the Committee that, at the time of making his submission, he had not had the opportunity to give proper consideration to these replies.

7.3 In oral evidence given to the Committee in June 1990, the Parliamentary Librarian reported that the only action he had taken in response to this advice was to write to the head of the Department of the Parliamentary Reporting Staff, requesting a discussion with him about taking action on the breaches identified by the Auditor-General.² The Committee notes that, following the transfer of PISO to the Department of the Parliamentary Reporting Staff in February 1990, responsibility for action in relation to the PISO 'unofficial account' has transferred to the Secretary of that Department.

1. Evidence, p. 445.

2. Evidence, p. 553.

7.4 Paragraphs 4.33-4.40 detail the action taken in respect of the Auditor-General's recommendation 8.1(d) relating to the repayment of excess accommodation costs incurred by Mr Blume and Mr Mullane during their stay at the Sydney Hilton Hotel in June 1989.

Steps taken by the Department of the Parliamentary Reporting Staff

7.5 PISO's transfer to the Department of the Parliamentary Reporting Staff had been foreshadowed by the Presiding Officers in December 1989 in their report to all Members and Senators on the Administration of the Parliament - 1989 in Overview.³ The Presiding Officers wrote to all Members and Senators on 12 February 1990 advising them of these changed arrangements.

7.6 The rationale for this move was to give PISO a secure place in the administrative structure and a new management focus. The move was in line with the calls for better administrative controls and accountability contained in the reports by an independent consultant, Mr MacGregor, and the Auditor-General.⁴

7.7 The incorporation of PISO into the Department of the Parliamentary Reporting Staff was also seen by the Presiding Officers as improving the viability of the existing Department as a separate Department of the Parliament. Together with the simultaneous incorporation of the Parliamentary Audio Visual Unit into the Department, PISO's transfer was designed to enhance the emerging technological affinity of Hansard production, computer operations and sound and vision developments.⁵ The Presiding Officers noted that the Auditor-General's report into Hansard⁶ required them to take action regarding technological development and the management structure of Hansard.⁷

7.8 On 20 February 1990, the Presiding Officers forwarded a copy of the letter to Members and Senators to the head of each of the Parliamentary Departments, and took the opportunity to re-affirm the central role given to PISO for information systems matters in the Parliament.⁸ They stated that the relocation

3. Evidence, p. 855.

4. Evidence, p. 855.

5. Evidence, p. 856.

6. The Auditor-General. Audit Report No. 21 1989-90 The Department of the Parliamentary Reporting Staff, AGPS, Canberra, 1989.

7. Evidence, p. 855.

8. Evidence, p. 852.

of PISO to the Department of the Parliamentary Reporting Staff in no way diminished the charter given to PISO in 1987.⁹

7.9 On 15 March 1990, Mr John Templeton, formerly in charge of the Cabinet Office in the Department of the Prime Minister and Cabinet, was appointed as head of the Department of the Parliamentary Reporting Staff. As senior responsible officer for PISO, the Committee requested Mr Templeton to give evidence concerning the measures that had been taken to improve the management and accountability of PISO within the new Departmental structure.

7.10 Mr Templeton advised the Committee that a broad-ranging set of measures had been put in place to redress the significant deficiencies identified in both the Auditor-General's reports on Hansard and PISO.

7.11 The reporting lines for the General Manager of PISO to the head of the Department of the Parliamentary Reporting Staff have been clarified and are quite unambiguous¹⁰, with there being no question of a reporting relationship to the Presiding Officers except through himself.¹¹

7.12 Existing PISO and Hansard administrative staff have been consolidated into a Corporate Management Branch, which is clearly charged with oversight and coordination of financial management practices across the whole Department. This Branch is headed by a secondee from the Department of Finance. Furthermore, all purchase, disposal and staffing matters go through the Corporate Management Branch on their way to the Secretary if they require his approval or delegation.¹²

7.13 A financial management information system has been developed and installed to give accurate, comprehensive and timely financial management information to program and subprogram managers¹³. In addition, a specific group of officers has been given the task of upgrading the quality of the Department's asset recording and management information.¹⁴

9. Evidence, p. 853.

10. Evidence, p. 848.

11. Evidence, p. 850.

12. Evidence, pp. 848-9.

13. Evidence, p. 849.

14. Evidence, p. 850.

7.14 Instructions have been issued to ensure that the existence of guidelines on official conduct of Commonwealth public servants is brought to the attention of staff. A code of ethics has been introduced for both PISO and the Sound and Vision Office. In addition, all departmental staff have been reminded, by circular, of the need to be conscious of situations of real or potential conflict of interest.¹⁵

7.15 There are now no consultants acting in line management positions within the Department¹⁶. The position of Manager, Sound and Vision Office, which had been occupied by a consultant at the time Mr Templeton took over responsibility for the Department, has now been filled by a permanent appointment.¹⁷

7.16 The financial delegations within the Department of the Parliamentary Reporting Staff have been revised and reissued, and the power to approve expenditure of public money has been limited to Senior Executive Service officers, and then only within an officer's program or subprogram.¹⁸ Work has also commenced on revising the personnel delegations and remaining financial delegations within the Department.¹⁹

7.17 Mr Templeton further advised that work was almost complete on the preparation of a set of Secretary's Instructions. Such instructions are required under the Finance Directions and give specific and legally binding instructions to staff on a range of finance and management issues.²⁰

7.18 A financial management advisory group for the Department has been set up, with representatives from the Department of Finance, the Australian National Audit Office, an independent financial accounting systems consultant and the Corporate Management Branch. Mr Templeton advised that one of the first matters that this group would be settling is the arrangements for internal audit within the Department. In particular, this group would be examining whether the Department should take up the arrangements organised by the Joint House Department, where an external firm of auditors has been contracted to carry out internal audit functions for the Parliamentary Departments.²¹

15. Evidence, p. 849.

16. Evidence, p. 871.

17. Evidence, p. 871.

18. Evidence, p. 849.

19. Evidence, pp. 849-50.

20. Evidence, p. 849.

21. Evidence, p. 849.

7.19 Mr Templeton advised that a corporate plan was being developed²² and a copy of the draft plan was provided to the Committee on 12 February 1991.

7.20 While acknowledging that there was still a great deal of work to be done, Mr Templeton pointed out that the remedial measures, that had been implemented or were in train, apply equally across the whole of the Department of the Parliamentary Reporting Staff.²³

7.21 As indicated in paragraph 7.3, responsibility for follow-up action for breaches identified in the Auditor-General's report transferred to the Secretary of the Department of the Parliamentary Reporting Staff upon the transfer of PISO to that Department.

7.22 Mr Templeton informed the Committee that the Parliamentary Librarian had written to him about the matter and that they had had a discussion. Mr Templeton was given a copy of the legal advice the Parliamentary Librarian had obtained from the Attorney-General's Department.²⁴

7.23 He further informed the Committee that, as its hearings were progressing and new evidence was being adduced, he would prefer to wait until the hearing process had completed its course and the Committee had reported on the matter before considering whether or not disciplinary measures need to be taken.²⁵

7.24 The Committee agrees that it was appropriate for Mr Templeton to await its report.

Steps taken by the Department of Administrative Services

7.25 The Department of Administrative Services advised the Committee in June 1990 that the General Manager of the Purchasing and Sales Group of the Department had written to all heads of management of government departments and budget-funded agencies reminding them of the responsibilities and requirements associated with the disposal, sale or trade-in of surplus, obsolete and unserviceable assets. A copy of this letter, dated 27 March 1990, was also provided to the Committee. The Committee notes that this action was taken in response to a request

22. Evidence, p. 849.

23. Evidence, p. 850.

24. Evidence, p. 871.

25. Evidence, pp. 871-2.

from the Australian National Audit Office following its investigation of the PISO 'unofficial account'.

Steps taken by the Department of Finance

7.26 At the public hearing on 16 August 1990, the Department of Finance became aware that the DAS letter of 27 March 1990 had omitted to mention the requirement that the proceeds from the sale of Commonwealth stores, which are receipts of public moneys, must be promptly paid into the Commonwealth Public Account. As a result, the Department of Finance issued a circular memorandum on 11 September 1990 reminding departments and agencies of their obligations in this regard.²⁶

26 Department of Finance. Finance Circular No. 1990/13, 11 September 1990.

Chapter 8

SUMMARY AND CONCLUSIONS

8.1 This Chapter summarises the Committee's main findings in relation to each of the terms of reference for the Inquiry, cross-referenced to the supporting evidence which appears in the body of the report.

Term of reference (a) the role and responsibility of the former manager of PISO

8.2 The former Manager of PISO, Mr Goodall, accepted responsibility for approving the proposed trade-in of the Parliament's surplus Honeywell equipment on new computer acquisitions under the prime contract with Computer Power Pty Ltd (paragraph 2.23). He also admitted that he believed he was responsible for creating the climate in which the breaches identified by the Auditor-General occurred (paragraph 5.40). However, he steadfastly denied any knowledge of the existence or operation of the 'unofficial account' during the time he was Manager of PISO.

8.3 The Committee does not accept Mr Goodall's word on this matter. While the Committee was unable to determine at what point Mr Goodall became aware that the funds obtained from the 'trade-in' had been diverted to general use within PISO, on the evidence presented during the Inquiry, the Committee concludes that Mr Goodall did sanction the use of the 'unofficial account' in relation to the organisation review workshop held at the Sydney Hilton Hotel in June 1989.

8.4 Both Mr Mullane and Mr Lanham gave evidence which clearly indicated that Mr Goodall authorised the expenditure associated with this workshop (paragraphs 4.9, 4.13-4.19) and the Committee has no reason to suspect any collusion between these two witnesses. In addition, Mr Cotterill gave evidence that on at least one occasion he recalled having discussed the account with Mr Goodall (paragraphs 4.20-4.21). Given Mr Goodall's management style, as discussed in some detail in Chapter 5, it is also difficult to believe that he would have had no knowledge of the account and the uses to which it was put.

Term of reference (b) the role and responsibility of the Parliamentary Librarian

8.5 At the time of the events under examination the Parliamentary Librarian, Mr MacLean, was the Head of the Department responsible for PISO. Chapter 5 of the report discusses the role and responsibility of the Parliamentary Librarian in some detail.

8.6 In evidence to the Inquiry, Mr MacLean argued that he lacked effective control over PISO because of the ambiguous reporting responsibilities instituted by the Presiding Officers, which allowed the Manager of PISO direct access to them on information systems matters. Numerous examples were provided to the Committee to illustrate the difficulties Mr MacLean encountered in attempting to exercise proper managerial control over the operations of PISO and in particular over Mr Goodall.

8.7 Despite these very considerable difficulties, Mr MacLean did not discuss the reporting arrangements with the Presiding Officers until they had decided to transfer PISO to the Department of the Parliamentary Reporting Staff. This was some two years after the original arrangements had been put in place.

8.8 The reporting arrangements put in place by the Presiding Officers diminished Mr MacLean's ability to exercise his authority over PISO, and it is clear to the Committee that Mr Goodall exploited this situation. Mr MacLean told the Committee that he believed he would not win a battle against Mr Goodall, because of the powerful support Mr Goodall had within the Parliament.

8.9 As a departmental secretary, Mr MacLean failed in his statutory responsibility to assert his control over PISO. The Committee believes that Mr MacLean had an unequivocal responsibility to take the matter up with the Presiding Officers, irrespective of his judgement as to how effective this would be

8.10 The Committee also shares the concern expressed by Senate Estimates Committee A about the length of time taken by the Parliamentary Librarian to call in the Auditor-General to investigate the rumours concerning the existence of an 'unofficial account'. While acknowledging that the Parliamentary Librarian engaged a consultant to conduct an initial investigation, the Committee does not consider it was a wise choice to employ a person whose field of expertise was not auditing and who therefore was unable to provide authoritative advice. The course of action which the Parliamentary Librarian pursued to establish the facts of the matter did

not obviate the need for the Auditor-General to undertake his own investigation; it merely delayed the process by two months.

8.11 Finally, the Committee draws attention to the fact that although the Parliamentary Librarian was aware of the 'unofficial account' when he signed a certificate on the Department of the Parliamentary Library's financial statements for the year ended 30 June 1989 and indicated that the statements were in agreement with the department's accounts and records, he did not however disclose its existence. These financial statements were signed a week before the Auditor-General was asked to investigate the 'unofficial account'. In his report, the Auditor-General commented that it was a matter for conjecture whether an unqualified audit report could have been issued had the account been brought to his attention earlier.¹ The Committee concurs with the Auditor-General's view.

Term of reference (c) the role and responsibility of Computer Power as prime contractor to PISO

8.12 Under the terms of Contract PARL 87/001, Computer Power is the prime contractor for the provision of "equipment, project management and consultancy services including the supply, installation, evaluation, accreditation and continuing support of computer equipment and software for the Parliament of the Commonwealth of Australia".² Clause 11.3 of the contract requires Computer Power to comply with the relevant requirements of all Australian Statutes, Regulations, Ordinances and By-Laws and to ensure that its Sub-Contractors likewise comply. The contract makes no provision for the trade-in of equipment.

8.13 At PISO's request, Computer Power agreed to 'trade-in' the Honeywell equipment against new computer acquisitions. Computer Power saw this as a minor part of its overall role of prime contractor and systems integrator and did not charge any fee for providing this service.³ Computer Power's role in the Honeywell disposal and its role in the operation of the 'unofficial account' are discussed in Chapters 2 and 3 respectively.

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1. The Auditor-General. Audit Report No. 25 1989-90 Investigation of an unofficial account operated by Parliamentary Information Systems Office, AGPS, Canberra, 1989, p. 23.
 2. The contract is in force for 5 years from 10 December 1987 unless extended or until it is determined as provided for in Clauses 36 and 37 of the contract.
 3. Evidence, p. 569.

8.14 Any semblance of the Honeywell disposal to a trade-in disappeared when Computer Power complied with a request from PISO to expend monies obtained from the 'trade-in' on the purchase of goods for fitting out the training rooms in the new Parliament House - goods which were clearly outside the scope of the prime contract. Although it appears that the then prime contract manager, Mr Cotterill, had some qualms about PISO's request (see paragraph 3.16), Computer Power did not raise this concern with PISO and acquiesced to all PISO's requests to expend monies from what had become the 'unofficial account'. On only one occasion, a year after the account had been set up, did Computer Power raise directly with PISO a concern about the use of the funds for non-computing purchases (see paragraph 4.14).

8.15 In justification of its actions, Computer Power argued that the company acted as directed by what it considered to be appropriate officers of PISO holding the delegated authority of the contract manager, Mr Goodall (see paragraph 3.14). The Committee does not accept that this absolves Computer Power from its responsibility to comply with the relevant requirements of Australian Statutes, Regulations, Ordinances and By-Laws, as specified in Clause 11.3 of its contract with the Parliament.

8.16 The Committee cannot accept, and indeed finds it difficult to believe, that a contractor of the size and with the experience of Computer Power in dealing with the Commonwealth, dealt with the 'unofficial account' as though it were an acceptable practice.

Term of reference (d) the role and responsibility of consultants employed by Computer Power on behalf of PISO

8.17 Since December 1987 Computer Power has had an on-site project manager at PISO, known as the prime contract manager, with responsibility for all Computer Power activities at PISO, including the operation of the 'unofficial account'. During the time of the events under examination, two Computer Power employees held this position:

Mr Cotterill from 10 December 1987 to 9 April 1989 and from 7 July to 13 August 1989 (on an acting basis); and

Mr Lanham from 10 April 1989 to 30 January 1991 (excluding the period from 7 July to 13 August 1989).

8.18 In relation to the events under examination, Mr Cotterill was responsible for accepting the 'trade-in' arrangement proposed by PISO and for its implementation, as described in Chapter 2. Mr Cotterill also agreed to PISO's request to expend the funds obtained from the 'trade-in' on the purchase of goods outside the scope of the prime contract instead of providing new equipment at discounted prices as had been envisaged at the time the 'trade-in' arrangements were negotiated (Chapter 3). All of the expenditures from the 'unofficial account', with the exception of that associated with the organisation review workshop at the Sydney Hilton Hotel, were made during the time Mr Cotterill was the prime contract manager. At no time did Mr Cotterill challenge PISO directly about its requests to make these expenditures, despite the fact that he had had some qualms about the use of these funds.

8.19 In its submission to the Inquiry, the Australian National Audit Office noted that from its investigation "there was a very close working relationship between Computer Power's former Prime Contract Manager [Mr Cotterill] and the former manager of PISO [Mr Goodall]" and that this facilitated the arrangements for the disposal of the Honeywell equipment.⁴ The Committee concurs with this assessment. The Committee received no evidence, however, that there was anything improper in the relationship. Notwithstanding this, it is the view of the Committee that Mr Cotterill displayed a lack of judgement in accommodating PISO's wishes.

8.20 Mr Lanham's involvement in the 'unofficial account' was limited to his role, as described in Chapter 4, in the expenditure of monies in relation to the organisation review workshop. As indicated in paragraphs 4.14-4.15, Mr Lanham had some unease about the propriety of this expenditure, which he drew to the attention of his superiors in Computer Power and subsequently to a senior officer of PISO, who in turn conveyed this information to the Parliamentary Librarian. The Committee wonders if and when the existence of the 'unofficial account' would have come to light had it not been for the actions of Mr Lanham.

8.21 The role of Mr Galbraith, a consultant employed by PISO under a sub-contract agreement with Computer Power, is documented in Chapter 2. In his position as Acting Director, Technical Services, Mr Galbraith was responsible for planning the decommissioning of the Honeywell equipment. In this context, he wrote and signed the letter of 17 May 1988 which formalised the agreement between PISO and Computer Power to trade in the Honeywell equipment against equipment to be supplied by Computer Power's contractors. The following section also refers to Mr Galbraith.

4. Evidence, p. 129.

Term of reference (e) whether a conflict of interest did arise when a consultant, employed by Computer Power, acted in a line management position

8.22 Paragraphs 2.56-2.66 of the Committee's report examine the issue of whether a conflict of interest arose when a consultant employed by Computer Power [Mr Galbraith] acted in a line management position. As indicated in paragraph 2.63, the Committee has no reason to doubt the propriety of Mr Galbraith's actions in regard to the Honeywell disposal, but believes that it was inappropriate for him to have been placed in a situation where there was clearly the potential for a conflict of interest to occur.

Term of reference (f) the role and responsibility of other PISO managers who were associated with this account

8.23 Mr Robinson, PISO's Director of Contracts, and the two occupants of the position of Director, Planning and Administration - Mr Blume until 12 December 1988 and thereafter Mr Mullane - are the other PISO managers encompassed by this term of reference.

8.24 Mr Robinson's role in advising on disposal options for the surplus Honeywell equipment is discussed in Chapter 2. He advised the Committee that to the best of his knowledge he was the officer who first suggested the Honeywell equipment be traded in. He further advised that his advice was deficient, for reasons outlined in paragraphs 2.40-2.43, in that he did not note the requirement for trade-in arrangements to be approved by Department of Administrative Services.

8.25 Mr Blume's role in the establishment and operation of the 'unofficial account' is discussed in detail in Chapter 3. It was Mr Blume who made the decision to use the funds from the disposal to fit-out the training rooms in the new Parliament House, even though he knew that the intent of the 'trade-in' which had been negotiated with Computer Power was to offset moneys received against purchases of new computer equipment under the prime contract. He also administered the arrangements until December 1988 when he transferred to the position of Director of Special Projects in PISO. Mr Blume resigned from the Australian Public Service in October 1990 to take up a position in private enterprise.

8.26 Mr Mullane was responsible for administering the 'unofficial account' from 12 December 1988 until its closure. At no time did he question the use of this highly unusual account and maintained that he had no knowledge that the use of the 'trade-in' funds for fitting-out the training rooms was improper.⁵ He told the Committee that he was "unaware of the detailed provisions of either the Constitution, the Finance Directions or Regulations. In fact, I thought that that money was money available to the Office for use as required."⁶ If this is true, the Committee questions his suitability at that time for holding a senior administrative position responsible for the authorisation of expenditure of Commonwealth moneys.

8.27 The knowledge and/or involvement of more junior officers of PISO in the 'unofficial account' is discussed in Chapter 3.

Term of reference (g) the apparent lack of involvement of the Finance Section, Parliamentary Library with the auditing procedures of PISO's accounts and the role and responsibility of the Auditor-General in overlooking this matter

8.28 The division of responsibilities between PISO and the Financial Services Section of the Department of the Parliamentary Library is discussed in paragraphs 3.42-3.47. The Section's role in the cancellation of requisitions for goods purchased through the 'unofficial account' is discussed in paragraphs 3.30-3.40.

8.29 Prior to the Committee's Inquiry, the Financial Services Section had never queried the cancellation of requisitions, nor documented the reasons for such cancellations. The Committee considers this lack of monitoring and documentation to be a serious deficiency in the internal control procedures by the Parliamentary Library.

8.30 The principal mechanism in any organisation of ensuring that adequate controls are in place is the internal audit function. However, no such function existed in the Parliamentary Library at the time of the events under examination. The absence of this fundamental link in the chain of accountability is deplorable.

5. Evidence, p. 369.

6. Evidence, p. 370.

Term of reference (h) whether the breaches outlined in the Auditor-General's report warrant further action

8.31 Chapter 7 of the Committee's report canvasses what action has already been taken in response to the Auditor-General's report. Substantial reforms have been undertaken by the Secretary of the Department of the Parliamentary Reporting Staff, who is now responsible for PISO, and the Committee believes that the management and accountability of PISO have been considerably strengthened as a result.

8.32 The question of whether disciplinary action should be taken in relation to any Commonwealth officers other than Secretaries of departments for their part in the establishment and/or operation of the 'unofficial account' rests solely, under section 61(2) of the Public Service Act 1922, with the officer who is authorised to make that decision. This is therefore a matter for the delegate of the Secretary of the Department of the Parliamentary Reporting Staff, in the case of officers of PISO. Disciplinary action in respect of Secretaries of departments is covered in Section 57 of the Act. In the case of the Parliamentary Librarian, the Presiding Officers are responsible for such action. Consideration of such action will necessarily take account of the advice of the Attorney-General's Department in relation to the breaches identified by the Auditor-General, as well as the findings of this Committee.

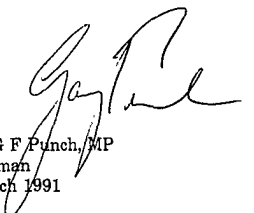
8.33 In this regard, the Committee notes that the two PISO officers principally responsible for the establishment and operation of the 'unofficial account' - namely, the former Manager, Mr Goodall and the former Director of Planning and Administration, Mr Blume - have since left the Australian Public Service and disciplinary action cannot therefore be taken against them. The Committee also notes the advice of the Attorney-General's Department that it is unlikely that penalties could be imposed under Finance Regulation 133 for breaches of the Regulations on a person who is no longer an 'accounting officer' or a person subject to the provisions of the Audit Act 1901.

8.34 **The Committee recommends that:**

The delegate of the Secretary of the Department of the Parliamentary Reporting Staff review the actions of the former Manager of PISO, Mr Goodall and PISO's former Director, Planning and Administration, Mr Blume, with regard to establishing whether any misconduct may have occurred or whether there was a failure to fulfil their duties as officers while employed in the Australian Public

Service. Should this be the case, an appropriate record be placed on the relevant personal files to ensure that this is taken into account in the event that either individual seeks reappointment to the Service.

Finance Regulation 133 be revised to ensure that penalties for breaching the Finance Regulations can be applied not only to current accounting officers or persons subject to the Audit Act 1901, but also to persons breaching the Regulations who are no longer accounting officers or persons subject to the Audit Act 1901.



Hon G F Punch, MP
Chairman
6 March 1991

APPENDICES

SUBMISSIONS AND OTHER DOCUMENTATION TO THE INQUIRY

Listed below are organisations and individuals that provided the Committee with submissions and other documents relating to the Inquiry.

Departments and agencies

- Aboriginal and Torres Strait Islander Commission
- Attorney-General's Department
- Australian National Audit Office
- Department of Administrative Services
- Department of Finance
- Department of the House of Representatives
- Department of the Parliamentary Library
- Department of the Parliamentary Reporting Staff
- Department of the Senate
- Joint House Department

Other organisations

Computer Power Pty Ltd

Individuals

Mr S Blume
 Mr J Brudenall
 Mr P Cotterill
 Mr J Davies
 Mr E G Dobson
 Mr J L Galbraith
 Mr J D Gilliland
 Mr M A Goodall
 Mr G R Harber
 Mr P T Lanham
 Mr H de S C MacLean
 Mr N Maclean
 Mr M Mullane
 Mr T Peppercorn
 • Mr B Robinson
 • Mr D Sargent
 • Mr C Shelling
 • Ms J Strang-Gardner
 • Dr P Thistlewaite
 • Mr R Walsh
 • Mr M T Watson

Some of the above organisations and individuals have forwarded more than one submission to the Committee during the Inquiry.

In addition, confidential submissions have been considered by the Committee.

PUBLIC HEARINGS AND WITNESSES TO THE INQUIRY

Date of Hearing	Witnesses
15 February 1990	Mr S Blume, Director, Special Projects, Parliamentary Information Systems Office
	Mr M J Brudenall, Deputy Parliamentary Librarian, Commonwealth Parliamentary Library
	Mr M Goodall [former Manager, Parliamentary Information Systems Office]
25 June 1990	Mr J L Galbraith, Contractor, Parliamentary Information Systems Office
	Mr G R Harber, Manager, Computers and Communications, Parliamentary Information Systems Office
	Mr T Jambrich, Acting Group Director, Australian National Audit office
	Mr W F Koller, Director, Audit Operations, Australian National Audit Office
	Mr J R Martin, Executive Director, Australian National Audit Office
	Mr B J Robinson, Director, Financial Management and Contracts, Parliamentary Information Systems Office
	Mr J S Taylor, Administrative Assistant, Parliamentary Information Systems Office
26 June 1990	Mr S Blume, Director, Special Projects, Parliamentary Information Systems Office
	Mr H de S C MacLean, Parliamentary Librarian, Department of the Parliamentary Library

Mr J R Martin, Executive Director, Australian National Audit Office

Mr M R Mullane, Acting Director, Planning, Parliamentary Information Systems Office

Mr B J Robinson, Director, Financial Management and Contracts, Parliamentary Information Systems Office

15 August 1990

Mr P Cotterill, Professional Services Manager, Computer Power Group Ltd

Mr J M Davies, Assistant Director, Database and Standards, Parliamentary Information Systems Office

Mr P T Lanham, Prime Contract Manager at Parliamentary Information Systems Office, Computer Power

Mr H W Powell, General Manager Australia and New Zealand, Computer Power Group Ltd

Mr C Shelling, Acting Assistant Director, Training and Support, Parliamentary Information Systems Office

Dr P Thistlewaite (former Acting Manager, Computer and Communications, Parliamentary Information Systems Office)

Mr M T Watson, Assistant Director, Financial Services, Parliamentary Information Systems Office

16 August 1990

Mr M Goodall (former Manager, Parliamentary Information Systems Office)

Mr P J Grills, Assistant General Manager, Purchasing Services, Purchasing and Sales Group, Department of Administrative Services

Mr A P Hoytink, Senior Finance Officer, Defence and Government Division, Department of Finance

Mr M J Kennedy, Assistant Secretary,
Accounting Policy Branch, Department of
Finance

Mr N F Levings, Senior Finance Officer,
Accounting Policy Branch, Department of
Finance

Mr J R Martin, Executive Director, Australian
National Audit Office

Mr M R Mullane, Acting Director, Planning,
Parliamentary Information Systems Office

Mr J W Templeton, Secretary, Department of
the Parliamentary Reporting Staff

12 September 1990

Mr P Cotterill, Professional Services Manager,
Computer Power Group Ltd

Mr J L Galbraith, Contractor, Parliamentary
Information Systems Office

Mr P T Lanham, Prime Contract Manager at
Parliamentary Information Systems Office,
Computer Power Group Ltd

Mr H de S C MacLean, Parliamentary Librarian
Department of the Parliamentary Library

Mr B J Robinson, Director, Financial
Management and Contracts, Parliamentary
Information Systems Office

Observers

Australian National Audit Office

Mr J R Martin

Department of Finance

Mr N F Levings
Mr M J Kennedy

LIST OF EXHIBITS

1. Letter dated 11 January 1990 from Mr G Harber, Acting Manager, Parliamentary Information Systems Office, including the following documents:
 - Corporate Strategic Plan 1989/90;
 - 1988-89 Annual Report of the Department of the Parliamentary Library;
 - PISO's organisation charts as at January 1990 and as at April/May 1988; and
 - list of names and addresses of relevant PISO personnel.
2. Copies of requisitions for supplies and travelling allowance documentation in respect of Mr Martin Mullane's travel to the organisation review workshop.
3. Copies of requisitions for supplies, travelling allowance documentation and request for reimbursement of airfares in respect of Mr Steve Blume's travel to the organisation review workshop.
4. Deed between the Commonwealth of Australia and Computer Power Pty Ltd for the provision of equipment, project management and consultancy services (PARL 87/001).
5. Letter dated 30 January 1990 from Mr H de S C MacLean, Parliamentary Librarian, Department of the Parliamentary Library, including the following documents:
 - the interim and final reports of Mr P K MacGregor concerning the issue of the Honeywell disposal;
 - the duty statements listed at Attachment A to Mr Rowe's letter to Mr Walsh dated 24 January 1990;

- the duty statements and available job specifications listed at Attachment B to Mr Rowe's letter to Mr Walsh dated 24 January 1990.
6. Proposal for the Creation of the Parliamentary Information Systems Office, Report to the Presiding Officers, 19 October 1987, Volumes 1 and 2.
 7. Review of PISO's 1989/90 staffing requirements prepared by Mr M Goodall.
 8. Letter dated 17 July 1990 from Mr M Mullane, Director, Planning, Department of the Parliamentary Reporting Staff, including the following documents:
 - Volumes 1 and 2 (bound together) of the former Manager's Report to the Presiding Officers on Staffing Requirements 1989-90 PISO, with copies of correspondence from the former Manager to the Presiding Officers and the Parliamentary Librarian;
 - copy of Mr Mullane's transcription notes of the draft staffing requirements report being prepared during the organisation review workshop; and
 - copy of the agenda for the planning workshop held at Milton Park.
 9. Letter dated 12 February 1991 from Mr J W Templeton, Secretary, Department of the Parliamentary Reporting Staff, including Draft Corporate Plan for the Department.