



2006

PARLIAMENT OF TASMANIA

**AUDITOR-GENERAL
SPECIAL REPORT No. 60**

**BUILDING SECURITY
and CONTRACTS APPOINTING
GLOBAL VALUE MANAGEMENT**

May 2006

*Presented to both Houses of Parliament in accordance with the provisions of Section
57 of the Financial Management and Audit Act 1990*

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31 May 2006

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Mr Speaker

SPECIAL REPORT NO. 60

Building security and Contracts appointing Global Value Management

This report has been prepared consequent to examinations conducted under section 44 of the *Financial Management and Audit Act 1990*, for submission to Parliament under the provisions of section 57 of the Act.

This report contains two compliance audits that assess how well public sector bodies comply with a selection of legal requirements, government policies, internal controls or central agency directives.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H M Blake', with a long horizontal flourish extending to the right.

H M Blake
AUDITOR-GENERAL

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Foreword

This report contains two compliance audits conducted during 2005 and 2006. The first audit concerns building security in the public sector while the second looks at government contracts appointing the company Global Value Management Pty Ltd.

Public sector employees and customers have an expectation that they will be able to work or go about their business in a safe environment where premises, information and assets are secure. Security offences, such as property damage or burglary, cost government almost \$1 million in 2003–2004. Effective procedures and practices can minimise personal exposure and liabilities. The audit reviewed building security arrangements at selected office buildings managed by four government departments. We looked at compliance with departments' policies and conducted walkthrough testing to verify the integrity of security arrangements. Not all departments had developed adequate policies or procedures and we made seven recommendations to improve security.

Transparent and accountable business processes are important to show that public sector funds are being spent in a proper way. Media speculation highlighted potential problems and conflicts in the dealings of various public bodies with Global Value Management Pty Ltd, a company part-owned by John Lennon, the Premier's brother. The audit reviewed the contract arrangements to assess compliance with Treasurer's Instructions or equivalent requirements. We also investigated a number of matters relating to possible conflicts of interest by various parties in their dealings with the company.

Some recommendations were made to improve business processes that would strengthen accountability and transparency. Our audit found that there was no evidence of any conflicts of interest or any undue influence exercised in decisions to appoint Global Value Management Pty Ltd as a consultant.

HM Blake

Auditor-General

May 2006

List of acronyms and abbreviations

Agencies	Collective term used in this Report to cover government departments and other entities reviewed
Brighton	Brighton Council
Derwent Valley	Derwent Valley Council
DIER	Department of Infrastructure, Energy and Resources
DoJ	Department of Justice
DPAC	Department of Premier and Cabinet
DPIWE	Department of Primary Industries, Water and Environment
DPPS	Department of Police and Public Safety
GVM	Global Value Management Pty Ltd
George Town	George Town Council
Forestry	Forestry Tasmania
MRP	Motor Registry Project
TAO	Tasmanian Audit Office
TIs	Treasurer's Instructions
TOTE	TOTE Tasmania Pty Ltd

Executive summaries

Executive summary – Building security

Introduction

The public sector owns or leases buildings throughout the state that are used for a variety of purposes. The degree to which each is accessible to the public also varies.

Departmental Secretaries have an ethical and legal responsibility to adopt sound security management practices to protect their customers and staff, to ensure privacy of information and safeguard assets. Security practices vary between agencies according to the security risk profile and the nature of each site. This is exacerbated where departments are not sole occupiers and accommodation is shared with other departments and with private tenants, or in situations where departments' premises are privately owned. Nonetheless, there are core concepts of good security management practices that should be maintained.

There were 779 security offences concerning government buildings reported to Tasmania Police for the 2003–2004 year with an estimated value of stolen and damaged property arising from those offences of almost \$1 million.

One of the obvious means of providing a safe and secure work environment for staff and visitors and to provide for the safeguarding of assets is to control the physical access to buildings, whilst balancing security and protection against the access needs of staff, visitors and customers.

Policies and guidelines provide the means by which risk assessments are linked to the implementation of appropriate and cost effective security measures. To be effective, these must be communicated to all staff and security responsibilities allocated or delegated to relevant senior staff to ensure that agreed security measures, once implemented, are being adequately maintained.

In addition, systems should require that security breaches be reported, responses to incidents be appropriate and adequate records of breaches maintained for review purposes.

Findings

We found:

- Not all departments we reviewed had undertaken a systematic risk analysis to identify potential security risks and vulnerability.
- Access control weaknesses were observed.

- Only two of the departments we reviewed had documented security policies.
- Lack of awareness by staff of existing security policies and procedures.
- Failure to adequately delegate security responsibilities to relevant senior staff.
- Procedures for reporting and recording incidents were present in three of the four departments, but procedures were inconsistent.
- Security arrangements in three of the departments have been subject of on-going review however we concluded that some of these had been ad-hoc rather than because of systematic review.

Recommendations

Seven recommendations were made to address the findings described above and to enhance security procedures for all government departments. For example, we recommended that agencies should ensure that responsibilities are clearly defined and allocated appropriately to ensure that security measures, once implemented, are maintained.

Management has agreed to adopt the recommendations.

Executive summary – Contracts with GVM

Introduction

In February 2006, media speculation highlighted potential problems and conflicts in the appointment of, and the dealings with, various public bodies with Global Value Management Pty Ltd (GVM), a company part-owned by the Premier's brother.

Government departments are able to engage consultants under rules established by Treasurer's Instructions (TIs). State-owned corporations and government business enterprises are required to develop in-house policies and procedures using TIs as a benchmark, and the *Local Government Act 1993* obligates councils to implement procurement policies that reflect the spirit of the TIs.

Public sector employees are required to disclose any conflicts of interest that occur in the course of their employment. We reviewed possible conflicts and compliance with relevant legislation, such as the *Local Government Act 1993*. Members of Parliament are covered by separate disclosure requirements under legislation and codes of conduct.

We performed a compliance audit of procurement processes to verify transparency, accountability and compliance with relevant instructions. The audit included review of transactions between GVM and some of its government customers; DIER, Forestry Tasmania, TOTE, Brighton Council, Derwent Valley Council and George Town Council.

Findings

We found:

- There was no evidence that indicated the Premier had influenced any entity to engage GVM.
- At DIER, there was no evidence of any conflict of interest by John Lennon in his dealings with GVM whilst still working at DIER, or of inappropriate conference sponsorship.
- The disclosure of potential conflicts of interest by the General Manager at Brighton Council could be improved.
- That between 2001-2005 GVM received payments of \$195 842 from DIER. The other pre-qualified value management firm received \$170 194.
- Fees charged by GVM were reasonable.

- Public sector entities generally complied with the necessary processes for engaging GVM. However, some recommendations have been made.
- Parliamentary disclosures made by the Premier complied with Tasmanian legislation. However, there may be a case for strengthening the Tasmanian legislation to extend the disclosure of interests to immediate family.

Recommendations

The recommendations made were aimed at improving the transparency of business practices in the engagement of consultants, particularly in clearly specifying terms of engagement and approval processes in partnership projects. A recommendation was also made for Brighton Council to disclose a potential conflict in the council Register of Interests.

All parties accepted the recommendations, although the General Manager of Brighton Council did not accept that GVM were a close associate as defined by the *Local Government Act 1993*.

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Recommendations and management responses

Recommendations and management response – Building security

List of recommendations

The following table reproduces the recommendations contained in the body of this report.

Rec No	Report section	Recommendation
1	1.1	Agencies should undertake comprehensive security risk assessments and ensure that they are regularly reviewed and kept up-to-date.
2	1.3	Agencies should develop security policies and guidelines on an agency-wide basis to deal with assessed risks covering all of the sites they occupy to ensure the most appropriate and cost effective security measures are implemented.
3	1.3	Agencies should ensure that details of security policies and guidelines are effectively communicated to staff and that appropriate procedures are in place to keep staff up-to-date.
4	1.3	Agencies should ensure that security responsibilities are clearly defined and allocated appropriately so that security measures, once implemented, are maintained.
5	1.4	Agencies should implement systems to ensure that all security breaches are reported and appropriate action is taken and details are recorded in a register for review purposes.
6	1.4	Staff whose normal work exposes them to significant potential risk should be suitably trained to deal with situations that could arise.
7	1.5	Agencies should undertake regular monitoring and review of their security procedures to ensure that adopted security measures are working as intended and to know when a risk assessment requires review.

Management response

Department of Primary Industries and Water (Previously DPIWE)

Since the audit, an agency review of one of our major buildings has been undertaken and new security measures have been implemented. An agency-wide physical security policy is also in process of being prepared.

These measures, together with the implementation of a security breach reporting process will address the major issues highlighted by the Report.

Department of Justice

The department abides by its responsibilities in relation to the safety and security of its staff and customers as well as the privacy of information and safety of assets.

Since the audit was undertaken, the department has developed or is in the process of developing, policies and procedures for Reception and Security Services for all of the buildings reviewed in terms of the audit.

The department proposes to implement all of the Report's recommendations where they are not currently implemented.

The Audit Office reiterates its view that security is the responsibility of all staff and that policies and procedures should reflect this. Policies should be prepared on an agency-wide basis.

Department of Premier and Cabinet

The department did not provide a formal response to the Report.

Department of Infrastructure, Energy and Resources

The department supports the recommendations in the report and notes that its compliance is recorded in a number of areas.

Recommendations and management response – Contracts appointing GVM

List of recommendations

The following table reproduces the recommendations contained in the body of this report.

Rec No	Report section	Recommendation
1	2.1.3.3	The Brighton Council should review its engagement practices to ensure that all business decisions are open and transparent.
2	2.2.4.1	When engaging consultants, following approval by council, a formal letter of engagement should be sent detailing council requirements and expectations for the project.
3	2.3.1	DIER should ensure that expressions of interest for pre-qualification to the value management register are undertaken every two years.
4	2.3.3.2	DIER should formally approve engagements where it is the sponsoring agency, rather than the contracting entity. Where the department is committed to reimbursement it should consider the contracting entity's terms of procurement when exercising such approvals.

Management response

Brighton Council

The General Manager of Brighton Council, Mr Ron Sanderson responded:

I am confident that I did not have an interest in any of the appointments of GVM for Brighton Council as I had no pecuniary benefit and GVM is not a close associate of mine as defined in the *Local Government Act 1993*. However, to alleviate concerns of a potential interest, I have notified the Mayor in writing of my connections with GVM and have had this recorded in the register of interests kept under section 54 of the *Local Government Act 1993*.

Derwent Valley Council

Derwent Valley Council raised no concerns on the content of the report.

Department of Infrastructure, Energy and Resources

DIER accepts Recommendation 3. The need to undertake the advertising for expressions of interest every two years as set out in the department's policy has been reiterated to the relevant area of the department. It should also be noted that consultants are able to seek registration on the register any time and they are not required to wait until the initiation to register is advertised. The department is currently processing such a request from a Sydney based value management consultant.

The department will develop a policy for the approval of engagements where it is the sponsoring agency, taking into account the recommendation made in your report.

Forestry Tasmania

No concerns were raised by Forestry Tasmania on the content of the report.

George Town Council

The recommendations within the report made to council, regarding procurement processes are noted and will be given due consideration with a view to implementing them where practical.

Huon Valley Council

Huon Valley Council raised no concerns on the content of the report.

TOTE Tasmania

TOTE Tasmania fully supports the findings and conclusions contained in the sections of your Report that relate to its dealings with GVM.

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1 Building security

1 Building security

Introduction

Security of buildings owned or leased by the public sector is required to protect staff and property from threats such as:

- unauthorised physical access
- theft of assets and personal property
- assaults on staff and visitors
- wilful damage including arson, graffiti, vandalism and damage arising from burglary
- misuse of assets, fraud and sabotage.

The public sector is a very large target due not only to the number of buildings it owns or leases but also their distribution throughout the state, their variety of purpose and the degree to which each is accessible to the general public.

Table 1: Security offences reported to Police in 2003-2004

Offence type	No. reported*	Estimated value
Aggravated burglary	2	\$200
Arson	7	\$45 300
Burglary	189	\$42 766
Damage computer data	2	\$50 000
Deception/dishonestly obtain financial advantage	5	\$4 684
Destroy/injure property	306	\$542 147
Insert false data	5	No value
Stealing	217	\$241 816
Trespass	36	\$150
Unauthorised access to computer	2	No value
Unlawfully set fire to property	8	\$4 660
Total of offences	779	\$931 723

*Offences are not equivalent to incidents. Actual numbers of security breaches may be higher as many incidents of crime may not be reported and not all buildings occupied by government agencies may be on the Police database.

There were 779 security offences concerning government buildings reported to Tasmania Police for the 2003–2004 year with an estimated value of stolen and damaged property arising from those offences of almost \$1 million¹ (see Table 1 above).

Departmental Secretaries have an ethical and legal responsibility to adopt sound security management practices to protect their customers and staff, to ensure privacy of information and safeguard assets. Security practices vary between agencies according to the security risk profile and the nature of each site. This complexity is exacerbated where departments are not sole occupiers and accommodation is shared with other departments and with private tenants, or in situations where departments' premises are privately owned. Nonetheless, the following core concepts of good security management practices are widely applicable:

- understanding the security threat using risk assessments to identify risks and vulnerability
- maintaining the security environment with:
 - policies and guidelines
 - allocation of security responsibilities
 - implementation of specific security measures
- keeping tabs on crime through:
 - adequate record keeping
 - regular review and monitoring.

In recent years, the Department of Police and Public Safety's (DPPS) State Security Unit undertook a security review of external access to government buildings across a number of agencies and provided reports to each of the agencies concerned.

In May 2003, the State Government approved the *Tasmanian Government Information Security Charter* for implementation by all agencies. This Charter is an overarching policy that establishes the information security principles and policies that agencies are required to adhere to with emphasis on the:

- scope of the principles
- primary roles and responsibilities for information security.

The charter is adopted from an information security framework developed by the Inter-Agency Policy and Projects Unit of the Department of Premier and Cabinet. It refers specifically to the safety

¹ Source: Department of Police and Public Safety

and security of information data and systems. However, its guidelines are applicable to building security generally. Security of information is outside of the scope of the current audit.

Objective

The objective of the audit was to ascertain whether agencies have adequate physical security management procedures in place to meet their obligations as required.

Scope

The scope of the audit involved a review of administrative buildings at four government departments:

- Premier and Cabinet (DPAC)
- Justice (DoJ)
- Primary Industries, Water and Environment (DPIWE)
- Infrastructure, Energy and Resources (DIER).

We acknowledge the assistance given by the Office of the Auditor-General of Western Australia in the planning and conduct of the audit and in compilation of this Report.

Criteria

We reviewed arrangements in place to address physical access security to determine whether departments have:

- undertaken a security risk analysis to identify risks and vulnerability
- restricted physical access to buildings or, in the case of areas subject to access by the general public, appropriately controlled access
- maintained the security environment by
 - issuing policies and guidelines
 - allocating security responsibilities
 - implementing specific security measures
- kept tabs on crime through
 - adequate record keeping
 - regular review and monitoring of security breaches.

Audit methodology

We reviewed building security within the selected agencies by:

- survey questionnaire to ascertain current status of security profile
- interviews with senior staff responsible for security management
- review of existing policies and procedures
- walkthrough testing of integrity of security arrangements
- interviews with staff.

Timing

Planning of the audit commenced in June 2005. The fieldwork was conducted from early September 2005 through to March 2006. This Report was finalised in April 2006.

Resources

The total cost of the audit excluding report production costs was approximately \$50 000.

1.1 Security risk analysis

As part of their overall risk strategy, departments should assess any potential risks to the general security environment in which they operate. Secretaries have an ethical and legal responsibility to adopt sound security management practices to protect their staff and customers, to ensure privacy of information and safeguard assets. Security practices will vary between departments according to the security risk profile and the nature of each site. A security risk assessment is a method of identifying and understanding all of the risks associated with security of a particular site and is the first step in establishing a sound system of security management for that site.

Standards Australia provides an essential tool for undertaking general risk analysis² that can easily be applied to security management. We tested to determine whether departments had undertaken a security risk analysis to identify risks and vulnerability. We commenced by issuing a questionnaire to each department under review to ascertain the current status of their security profile.

Not all of the departments we reviewed had initially adopted a security risk analysis such as that proposed by Standards Australia. DPAC, DIER and DPIWE had earlier utilised the services of the

² Australian/New Zealand Standard *Risk Management* AS/NZS 4360

DPPS in undertaking a security audit of their major buildings as the starting point for their security assessment. We observed from one DPPS report that:

It must be stressed that the security audit conducted has simply identified existing security arrangements and perceived difficulties; it did not involve a structured risk assessment of those issues. It would be appropriate for individual agencies to consider the recommendations, arising from this audit, and undertake a security risk review to analyse and assess the risks faced.

DIER had also contracted a private security management company to undertake a similar risk assessment that included a security risk analysis procedure.

A number of recommendations had resulted from those reports, many of which were subsequently adopted by the departments concerned. DPAC and DIER had conducted their own risk profile analyses to develop their risk management processes.

Risk assessments can rapidly become obsolete as circumstances change and should be updated regularly. We noted that the DPPS reviews had been undertaken as early as 2002 and security arrangements in three departments had been the subject of on-going review since that time. However, we found that some of these latter reviews had been made more on an ad hoc basis than because of systematic review. Some examples of changes in departments' security environments that have prompted review included:

- refurbishment of accommodation areas within buildings
- relocation to another site
- changed use of an area (e.g. from one with no public access requirements to one requiring a significant amount of public access)
- actual security breaches.

Recommendation 1

Agencies should undertake comprehensive security risk assessments and ensure that they are regularly reviewed and kept up-to-date.

1.2 *Physical access*

One of the obvious means of providing a safe and secure work environment for staff and visitors, and to provide for the safeguarding of assets, is to control the physical access to buildings. However, security and protection must be balanced against the access needs of staff, visitors and customers. We examined whether physical access to

buildings was reasonably restricted whilst still providing for appropriate and convenient access.

Many government departments typically occupy several buildings of various sizes in many different locations, some of which have mixed tenancy arrangements. In these situations, it is not uncommon for larger buildings to have complex access arrangements and security measures may differ according to the needs of the other tenants.

Our audit looked at twelve sites occupied by four departments covering Hobart and Launceston. The audit included a variety of building types, each with varying degrees of public access requirements. We considered that these sites fairly represented some of the diverse range of government activities carried out by departments.

We found all the buildings to have adequate physical access and other security controls in place although, as expected, not all were secured to a similar level for the reasons described above. As our walkthroughs were conducted during normal business hours, some of the control functions were unable to be tested. However, we found that not all controls were being enforced and a number of deficiencies were drawn to the attention of the departments concerned. Examples of deficient practices sighted across the departments we reviewed, albeit not at all sites, included:

- failure to keep doors to secure areas locked during working hours
- lack of visitor registers
- reluctance by staff to wear and display ID tags or no requirement for them to do so
- lack of specific training for staff whose workplace or role may put them at risk in the ordinary course of their duties
- no audit of security key or ID card registers
- inconsistent application of procedures by security/reception staff with respect to visitor access requirements
- no requirement for visitors to be accompanied by a 'host official' whilst in the building
- no requirement for visitors to be issued with ID passes or to be signed-in
- no identification checks carried out to confirm identity of visitors

- motion detectors disabled so as not to cause confusion when staff are required to work after-hours
- duress alarms monitored internally and reliance upon untrained staff to respond.

1.3 *Maintenance of security environment*

Policies and guidelines provide the means by which risk assessments are linked to the implementation of appropriate and cost effective security measures. However, to be effective, policies and guidelines need to be concise, unambiguous and readily available to all staff to ensure that they are appropriately understood and implemented.

Only two departments, DPAC and DIER, had documented security policies covering all of the buildings occupied by them. One of these (DPAC) had comprehensive documentation that rolled all aspects of security management into one document (General Security Plan).

The plan was available on the department's website and comprised information on the following:

- governance responsibilities
- risk assessment criteria
- security principles for different levels of security alerts
- risk management and strategies
- security duties
- standing operating procedures
- business continuity planning.

The plan provided for varying security controls according to the level of security alert (medium, high and extreme) and building type (single occupancy, multiple occupancy and large). It outlined a number of perimeter controls that applied to all buildings and access controls that varied according to the type of building. There were also a number of general security duties to be observed by all staff to assist in providing a secure workplace, the complexity of which, again, increased according to the security alert and the building type.

In conducting the audit, we classified each of the sites that we reviewed according to the building types referred to above and applied the various controls to each of them and found they were applicable to some degree to all sites.

DIER had adequate policies and procedures in place that were under review at the time of our audit. That review has since been completed and documentation updated.

Documentation at the other two departments varied significantly. DPIWE did not have a security policy although it did have documented comprehensive procedures covering a number of security matters that were available to all staff via the Intranet. We were advised at the time of our audit that the department was considering establishing a security policy and reviewing its documentation. DoJ did not have any documented security policies and procedures agency-wide but we were advised that they did exist for some of its sites. The department did not have any procedures for the two buildings that we reviewed which, at time of audit, were solely occupied and managed by them. Security documentation relating to another major building managed by the department was sighted.

Recommendation 2

Agencies should develop security policies and guidelines on an agency-wide basis to deal with assessed risks covering all of the sites they occupy to ensure the most appropriate and cost effective security measures are implemented.

We interviewed staff at a number of sites to gauge the effectiveness with which departments' policies and guidelines had been implemented and were disturbed by the results. Some examples of our findings included:

- lack of training in security matters generally, other than normal induction processes
- lack of awareness of security policies and guidelines generally, and of procedures for dealing with threats, particularly those made by telephone (e.g. bomb threats)
- unsure of action to be taken (or inconsistent action taken) in the event of a security breach
- reluctance, or lack of awareness, by staff to challenge unbadged visitors
- lack of awareness of name of fire wardens and/or evacuation procedures together with infrequent conduct of fire evacuation drills.

We observed that it was normal practice for departments to make policies and guidelines available to staff via the Intranet. However, little attempt appears to be made beyond that to ensure staff awareness. It is our view that departments must do more to ensure that all staff are conscious of and comply with those policies and guidelines. There is a need to broaden induction procedures for new

staff to include more detailed security measures. There should also be regular and planned information sessions to keep staff up-to-date.

Recommendation 3

Agencies should ensure that details of security policies and guidelines are effectively communicated to staff and that appropriate procedures are in place to keep staff up-to-date.

We also tested to ensure that security responsibilities had been allocated or delegated to relevant senior staff to ensure that agreed security measures, once implemented, were being adequately maintained. We found this to be so, but to varying degrees. As expected, we noted that there was a similarity between the level and complexity of policy documentation and the extent to which security duties were allocated to staff. We consider that security responsibilities should be detailed in security policies and be allocated to staff at all levels of the organisation. Examples should include:

- general duties with which all staff must comply
- specific duties assigned to
 - supervisors
 - reception/security officers
 - departmental/floor managers
 - building managers
 - general management.

Recommendation 4

Agencies should ensure that security responsibilities are clearly defined and allocated appropriately so that security measures, once implemented, are satisfactorily maintained.

1.4 *Security breaches*

Maintaining and using information about security breaches is essential to sound security management. A security incident reporting system should cover all risks to which a site has been exposed. It should detail the action that was taken not only in respect of each particular incident but to ensure that the possibility of a recurrence is minimised if not eliminated entirely.

The cost of security breaches to government property is not always easy to ascertain. Many breaches are not reported because they may be considered insignificant. For example, costs arising from vandalism and graffiti are often subsumed within general maintenance and other budget items. Similarly, physical threats and

verbal abuse to employees are generally regarded as an occupational hazard rather than being recognised as an incident that threatens the security of staff. Indirect costs of incidents such as these include disruptions to services, personal injury, premature staff turnover and decreases in productivity.

We tested to determine the extent to which security breaches were being reported, whether responses to incidents were considered appropriate and whether adequate records of breaches were maintained.

We found that documented procedures for reporting and recording incidents were present in three of the four departments but to varying degrees. DPAC and DIER had documented procedures contained within their security policies that required incident report forms being completed and outcomes recorded in a register.

For example, at DIER, incidents are classified according to their severity (minor, reportable, major and emergency) and a written record is required in respect of each. Incidents (other than minor) are required to be entered into an Incident Book and reported to the Security Manager. Details of major and emergency incidents are followed up and actioned and reported to management.

DoJ claimed to follow similar procedures but without them being documented. We were advised that a system of formal reporting and recording of incidents was under consideration by DPIWE at the time of our audit.

Recommendation 5

Agencies should implement systems to ensure that all security breaches are reported and appropriate action is taken and details are recorded in a register for review purposes.

During the audit, we identified a training-related matter that could trigger a security breach. We found little evidence of any special training being offered to staff whose workplace or role could be reasonably considered to expose them to significant risk, particularly in areas where difficult or unpleasant encounters occur. We were concerned that staff at one department expressed the view that they had sufficient experience to equip them to handle any difficult situation with which they may be confronted and that special training was not required. However, staff in other departments stated that they were not adequately prepared to handle such situations. Frontline staff should be properly trained so that there is a consistent approach with customers and to give staff the assurance that they are suitably skilled to fulfil their duties.

Recommendation 6

Staff whose normal work exposes them to significant potential risk should be suitably trained to deal with situations that could arise.

1.5 *Review and monitoring*

Regular monitoring and review of security arrangements provide managers with tools to assist them in determining whether security measures were working as intended and to know when a risk assessment required review.

We tested to ascertain whether departments maintained a system of regular review and monitoring of their security arrangements.

We were unable to determine whether departments adopted a system of regular review of their security arrangements but were satisfied that DPAC and DIER had recently reviewed their security policies and had updated their procedures. There was evidence that DPIWE had recently up-dated its procedures and it indicated to us that it was considering introducing a security policy.

We consider security committees as the best way to ensure that security arrangements are regularly reviewed. Alternatively, the assigning of specific security-related matters to an existing committee could be acceptable for smaller departments.

Recommendation 7

Agencies should undertake regular monitoring and review of their security procedures to ensure that adopted security measures are working as intended and to know when a risk assessment requires review.

1.6 *Conclusion*

Although not all departments had documented policies and procedures for managing security, we found security measures for physical access to buildings to be adequate. We recognised difficulties existed because of mixed tenancies and we identified weaknesses which we reported to the departments concerned. Our findings indicate there is clear need for departments to review their security arrangements on a regular basis and to be proactive in ensuring staff are aware of, and comply with, established security measures.

2 Contracts appointing Global Value Management

2 Contracts appointing Global Value Management

Introduction

Background

In February 2006, an article appeared in the national press about alleged improprieties concerning a private business—Global Value Management Pty Ltd (GVM or the company)—that is partly owned by the Premier’s brother, John Lennon. The media reports stated:

... money has flowed directly or indirectly from departments or agencies for which Mr Lennon has had ministerial responsibility to Global Value Management Pty Ltd.

The entities named were the Department of Infrastructure, Energy and Resources (DIER), Forestry Tasmania and TOTE Tasmania, all of which came under the ministerial control of Mr Lennon prior to his elevation to the Premiership in March 2004. As well, three local government councils (Brighton, Derwent Valley and George Town) were identified as having engaged GVM after securing funding or the promise of funds from the State Government.

The Government and Opposition made claims and counter claims that attracted further media attention. As well as the Premier’s alleged conflict of interest, there were also strong implications that public sector procurement practices lacked integrity. Public interest in the story grew, especially as speculation mounted that a state election was imminent.

Subsequently, although prior to the election being called, the Auditor-General declared that he would investigate contracts awarded to GVM.

Procurement policies

The Department of Treasury and Finance has central responsibility for setting procurement policy. In the case of government departments, there are a number of Treasurer’s Instructions (TIs) that outline the principles and practical details that must be applied in the acquisition of goods and services. These include the following TIs:

- TI 1101 *Procurement principles*
- TI 1110 *Agency procurement reporting requirements*
- TI 1302 *Purchases valued at \$10 000 or less (excluding GST)*
- TI 1303 *Purchases valued at more than \$10 000 but less than \$100 000 (excluding GST)*

- TI 1306 *Exemptions from seeking written quotations and calling tenders – Goods and Services*
- TI 1309 *Protocol for the engagement and use of contractors – Goods and Services*
- TI 1311 *Multi-use lists (pre-qualification).*

Purchasing policies and procedures are published on the web site <http://www.purchasing.tas.gov.au> that provides guidance on tenders, contracts and buying for government.

TIs do not have force in state-owned corporations and government business enterprises. These entities are required to develop in-house policies and procedures but such documents must use the TIs as a benchmark.

Further, the *Local Government Act 1993* obligates councils to implement systems of internal control governing each of their main business processes. However, councils' procurement policies should also reflect the spirit of the TIs.

Value management

A contributing factor to some people's negative perceptions of GVM's dealings with the public sector was confusion over just what value management actually is. For some, it was seen to be nothing more than a subset of strategic planning. For example, a local columnist³ referred to material on the company's web site as "American Ivy League MBA snake oil".

On the other hand, Standards Australia/Standards New Zealand have published a standard that establishes the essential elements of value management and aims to educate the consumer.

The core methodology, that is recognised international practice, is the Miles Job Plan that was originally developed in-house by the US firm General Electric in 1947 to drive product cost reductions without compromising reliability or saleability. Value management came into being when the Miles methodology was more widely applied to management and administration activities.

GVM

GVM became registered, as a company in 1996. Originally, there were three directors of the company. The third director resigned his directorship and shareholding in 1999 leaving John Lennon and Paul Howard as the directors of the company for the entire period covered by this audit. GVM uses the value management

³ 'Joys of full-on jargon', Warburton, A. *Mercury* 25 February 2006

methodology when it facilitates workshops. The workshops themselves usually run for two days. They attempt to involve all of the stakeholders affected by the project being examined, however, the number of participants at any one workshop are limited to around 30 people. The workshops require preparation and preliminary discussions and are only concluded after a report documenting the findings and recommendations is completed.

Objective

The objective of the audit was to ensure that entities complied with Treasurer's Instructions, or equivalent, concerning:

- awarding of contracts
- payments to contractors
- disclosure of possible conflicts of interest.

Scope

Transactions between the company and the following entities were examined:

- Department of Infrastructure, Energy and Resources
- Forestry Tasmania (government business enterprise)
- TOTE Tasmania Pty Ltd (state-owned corporation)
- Brighton Council
- Derwent Valley Council
- George Town Council.

The period under review was from 2001 to the present.

Criteria

To achieve the audit objective, we developed the following audit criteria:

- policy for dealing with conflicts of interest
- whether value for money was achieved
- proper processing of accounts for payment
- whether Parliamentary disclosures complied with Tasmanian legislation and a comparison with the requirements in other jurisdictions.

Audit methodology

Our audit was conducted through:

- review of documentation, e.g.
 - policies
 - procedures
 - codes of conduct
 - minutes of council meetings
 - reports
 - legislation
- analysis of payments
- discussion with relevant staff.

Timing

Planning for the compliance audit began in February 2006. Fieldwork commenced in February and ended in March 2006. The Report was completed in April 2006.

Resources

The total cost of the audit excluding report production costs was approximately \$50 000.

2.1 *Conflicts of interest*

This section considers whether there was any undue influence by the Premier on the decision making process at entities regarding their decision to engage GVM. A number of other specific matters are noted in the relevant sections regarding individual conflicts.

2.1.1 *Department of Infrastructure, Energy and Resources*

We considered the following three matters at DIER.

2.1.1.1 *Influence on the decision-making process*

We found no evidence to suggest that the Premier influenced in any way DIER's decision-making process to:

- decide whether any value management process should be undertaken
- suggest that the provider should be GVM.

DIER has a register of pre-qualified firms, which includes GVM and one Sydney-based firm providing value management services, and the department has a process in place to determine which one is selected.

The Huon Valley Council was allocated funds from the State Infrastructure Fund for street improvements in Huonville. Council decided to conduct a value management study with DIER agreeing to fund this study. DIER provided the council with the names of the value management firms held on its pre-qualified register. From that listing, council chose GVM. We found that the council was not influenced by either the Premier or DIER when it selected GVM.

2.1.1.2 Conflict of interest by John Lennon as a DIER employee

Both current principals of GVM were formerly employees at DIER. Paul Howard retired in July 1996 immediately before the establishment of the company. Whilst John Lennon did not actually retire from DIER until March 2001, he sought and was given official approval to undertake work with GVM before his retirement. From our enquiries, we ascertained that John Lennon conducted value management workshops in his capacity as an employee of DIER. At no time did we find evidence that John Lennon worked for GVM whilst at the same time providing value management services to DIER. However, we located two GVM invoices (for \$2 217 and \$2 070) dated April 1999 addressed to DIER. We had no evidence suggesting that John Lennon personally received any benefit from these engagements. Instead, we were advised that payment was made to Paul Howard through GVM.

On at least two occasions Paul Howard, acting as a sole consultant, worked in conjunction with John Lennon on value management engagements whilst he (the latter) was still employed by DIER.

Although it may have been preferable for John Lennon (while an employee of DIER) not to have had any dealings with GVM, when the company had engagements involving DIER, we could find nothing untoward in John Lennon's actions.

2.1.1.3 Sponsorship

The media raised issues of a potential conflict over DIER sponsorship of the 2002 Institute of Value Management Conference, organised by GVM, when the Premier was the responsible Minister. We examined the details of that sponsorship and whether it was in accordance with the department's policy. There was no evidence

that the Premier was involved in the decision to support the conference.

DIER has developed specific guidelines that cover corporate sponsorship. Essentially, the policy states that DIER may enter into sponsorship arrangements with organisations external to state government agencies where there is no real or perceived conflict of interest between the aims of the government and the department and the aims of the organisation. The sponsorship of such a conference was within the scope of the policy.

We then reviewed the type of sponsorship that was provided. The Conference website indicated DIER was the principal conference sponsor. However, our review of payments from DIER found that no sponsorship payment was made to the organisers for this conference.

Instead, we found that DIER originally agreed to sponsor the cost of the Metro bus hire over the two days between Hobart and Bellerive for conference delegates. Metro was unavailable to supply a bus and so quotes were obtained from Tigerline. DIER appears to have resiled from the cost of providing the coaches once the quotes from Tigerline were known. The cost for the coaches appears to have been paid in the end from the conference budget as no creditor history for Tigerline could be found in DIER's accounts payable system.

The only sponsorship provided was in kind assistance by DIER staff, partly in their own time and partly in DIER's. These resources were used to assist with conference organisation. It is not possible to quantify or estimate the in kind staff assistance that was provided. A number of staff also attended the conference as paying delegates.

2.1.2 Government business enterprise and state-owned corporation

In our review of documents, and discussions with relevant staff, we found no evidence that either Forestry Tasmania or TOTE had been influenced to select GVM.

2.1.3 Local government councils

2.1.3.1 George Town

Documentation provided by council indicated that contact with GVM was made well in advance of a later meeting with Cabinet and the Premier at Georgetown. We were advised that at that meeting, and subsequently, the Premier never broached the subject of GVM.

2.1.3.2 *Derwent Valley*

The council requested assistance from the Premier in February 2005 for some expert assistance in developing a community plan. The Premier indicated that some assistance would be provided but did not specify the form it would take. The matter was referred to DIER who suggested the value management process to council. Council chose GVM from the listing of pre-qualified consultants based on a preference for Tasmanian suppliers.

2.1.3.3 *Brighton*

In our review of transaction documents, council minutes, contracts and discussions with relevant staff, we found no evidence that the Premier was involved or influenced Brighton Council's decisions to engage GVM.

A potential conflict of interest by the General Manager

The second issue we considered at Brighton Council was if there was a conflict of interest by the current General Manager, Mr Ron Sanderson. At the time of the audit he was:

- General Manager of Brighton Council.
- Listed on the GVM web site as an associate of the company.

Working arrangements with Brighton Council

Originally, Mr Sanderson was employed as Manager of Engineering Services at the council. In 1996, he was appointed as Deputy General Manager. In 1999, he formed a family company ('Richmond Belle') in an unrelated sphere of activity. At that time, Mr Sanderson changed his employment relationship with Brighton Council, becoming a contractor from his family company.

As part of the contract conditions, he undertook to work a minimum of 1 144 hours per annum at an agreed hourly rate. Mr Sanderson invoiced the council for time that he worked and was able to undertake other work (e.g. for GVM or Richmond Belle) as time permitted.

In June 2005, Mr Sanderson was appointed as General Manager at Brighton Council for a five-year period and he now has an employment contract in his own name.

Working arrangements with GVM

Since 1999, Mr Sanderson has worked on 6-8 value management studies for GVM. Our concern, and one mirrored by reports in the

media, was that Mr Sanderson was under contract from GVM to Brighton Council. However, as outlined in his employment arrangements above, that understanding was incorrect.

Mr Sanderson advised us that he did no work on behalf of GVM for those projects (intensive agriculture; risk management; 20-year vision) for which Brighton Council had engaged the company (see Appendix 3). He also stated that he received no benefit from GVM for those jobs. Our audit of papers and transactions supports Mr Sanderson's assertion.

Public disclosure

While we found that Mr Sanderson had not performed any of the GVM work that was contracted by council, there was a question of whether appropriate disclosure had been made. Brighton Council indicated that during the time that Mr Sanderson was Deputy General Manager there was informal disclosure to the previous General Manager who supported the process for engaging GVM. It was consistent with the terms of Mr Sanderson's contract at that time that he could absent himself to do outside work.

Brighton Council has a policy for outside work activities by its staff. The General Manager's current employment contract deals with issues of conflict of interest including outside work. In April 2005, an agreement was signed between Mr Sanderson and three council representatives, including the mayor (acting as a remuneration sub-committee) that indicated consent for him to undertake occasional business activities. On that basis, there was no breach of the outside work policy.

We then considered if Mr Sanderson had a conflict of interest in engaging a company for which he may do occasional work even where, as concluded previously, he obtained no benefit from those situations where Brighton Council engages the company.

The *Local Government Act 1993* (section 55) states that disclosure of interests should be maintained in a register. Under the Act (section 49), an interest includes any pecuniary benefit to a close associate where a 'close associate' includes the employer of the member (section 51). Brighton Council initially indicated that there was no such register of interests and that no disclosures had been made. Later, we were provided with a copy of Brighton's 'Councillor & Staff Register of Interests–Section 54 LGA' that had entries from 1996 to 2006. Mr Sanderson was not listed in that document.

We believe that because of Mr Sanderson's:

- previous work for GVM
- current employment contract enabling him to do future work for GVM
- role and status as General Manager

his inclusion in the council's register of interests is necessary. The public disclosure of his connection with GVM would help to counter perceptions of a lack of transparency in Brighton's dealings with GVM.

Brighton Council has adopted a Code of Tendering practice in line with section 333B of the LGA. However, that is an overarching requirement that echoes the broad principles of government tendering contained in TIs. The expenditure of public funds should occur in a transparent and accountable manner. The decision to engage GVM should not in any way involve Mr Sanderson, or anyone in a position where that person has a business relationship with a company.

Recommendation 1

The Brighton Council should review its engagement practices to ensure that all business decisions are open and transparent.

2.1.4 Conclusion

We found no evidence that indicated the Premier had influenced any entity to engage GVM.

At DIER, we found no evidence of any conflict of interest by John Lennon in his dealings with GVM whilst still working at DIER, nor any evidence of inappropriate conference sponsorship.

At Brighton Council, we found while the General Manager had disclosed his occasional business connection with GVM to the council, there should also be an entry in Brighton's register of interests. We recommended that Brighton review its engagement practices.

2.2 Value for money

This part of the audit was concerned with determining whether the service or product received from GVM was effective in meeting the expectations of the engaging entity.

2.2.1 Fee levels

Concerns were raised in letters to the Auditor-General that the level of fees charged by and paid to GVM were well above normal commercial rates. It was asserted that fees were in the range of \$10 000 per day whereas 'normal' commercial rates were between \$1 000 to \$3 000 per day.

Actual fees charged by GVM are listed in Appendix 3 and varied in accordance with the size and complexity of the engagement. The data that we reviewed spanned a four-year period and some fee increases occurred over time. From our sample, the average cost of a project (GST inclusive) was:

- two-day workshop and report - \$22 067
- one-day workshop and report - \$7 857.

The range of fees does not appear excessive given that GVM's work involved:

- preparatory meetings with clients and steering committee meetings
- preparation for workshops
- facilitation of workshops
- writing, printing, binding and delivery of report (one bound and one CD).

For some smaller projects, an hourly rate of \$220 was charged or \$110 per person since GVM operated as a two-person team on these projects. Those rates were compared to other professional charge-out rates and appeared reasonable.

2.2.2 Department of Infrastructure, Energy and Resources

On a number of occasions, DIER used GVM to facilitate departmental value management workshops. We examined two projects more closely to ascertain whether DIER had obtained value for money.

The first was a value management workshop held in January 2004 with all stakeholders associated with the Motor Registry Project (MRP). The second value management workshop, held in October 2003, was aimed at developing an integrated tourism strategy for the Coles Bay and Freycinet precinct. Although the Glamorgan-Spring Bay Council engaged GVM, DIER itself was a stakeholder that contributed funding and expertise.

Comments from DIER staff in attendance revealed that they were

positive about the value management process, saying the methodology used brought clarity and scope to the projects undertaken. Positive outcomes were reached even where conflicting views were represented amongst participants. One of the main benefits obtained was the identification of issues and the challenging of assumptions. The observation was made that bringing all the stakeholders together and using the value management methodology saved both time and money. Conducting one-on-one consultations would probably have taken DIER much longer and may not have satisfactorily addressed stakeholder concerns.

We compared the sums paid by DIER to GVM and the other registered value management provider between 2001–2005 to determine whether there was any bias. GVM received payments of \$195 842 with the other firm obtaining \$170 194, a difference of 13% between the two firms. We were satisfied this variation was acceptable, as a single two-day workshop (and final report) could cost between \$15 000 and \$25 000.

2.2.3 Government business enterprise and state-owned corporation

2.2.3.1 Forestry Tasmania

Forestry Tasmania engaged GVM in mid-2000. During the lead up to the Southwood project in the Huon Valley, a problem emerged in the use of a road that was jointly controlled by DIER and Huon Valley Council. In seeking a solution, Forestry Tasmania had contacted DIER who suggested that GVM could be a suitable firm to conduct a value management workshop that would allow stakeholder input to investigate possible woodchip and log transport route options for the Huon Valley. After an interview, GVM was chosen and a job specification prepared.

In March 2001, a two-day workshop was arranged, resulting in the impasse being solved. The GVM report was incorporated in the Development Proposal Environmental Management Plan that Forestry Tasmania later submitted when applying for re-zoning for the project. In relation to value for money, Forestry Tasmania was satisfied with the work performed by GVM.

2.2.3.2 TOTE

TOTE had participated (as a stakeholder) in a workshop conducted by GVM in 2000 on development of an equine precinct by Brighton Council and was impressed with the company's methodology.

The decision to subsequently engage GVM for a TOTE project was made by the CEO, following an acknowledgement that a full impact

statement was needed before a project option was selected. TOTE carried out the economic analysis using in-house expertise but felt that outside expert assistance was required to cover the social, technical and environmental aspects. Also, TOTE wanted an independent consultant that would facilitate communications between stakeholders with differing—and sometimes volatile—points of view. TOTE went through a process of enquiry and determined there were very few consultants that could facilitate the workshop and who had an understanding of the racing industry.

In respect of the study, TOTE's engagement letter to GVM clearly defined their objectives and expected outcomes of the workshop. We were informed by TOTE that the workshop helped to crystallise contentious matters between disparate groups and consensus was reached with all but one stakeholder. Although there was no formal process for assessment of the project's success, TOTE was able to make a decision about future training options with the support of stakeholders.

2.2.4 Local government councils

2.2.4.1 George Town

George Town Council was pivotal in initiating a study concerning the pulp mill proposed for the Tamar Valley. The total costs were in the vicinity of \$28 000 and the approach was that this cost would be divided between itself, the neighbouring councils (namely West Tamar and Launceston) and the Department of Economic Development.

Council did not send a formal letter of engagement to GVM setting out what they were trying to achieve or the expected project outcomes. Instead, informal discussions were held and GVM was notified by email that council sign off was expected to occur in July 2005, although no confirmation of council approval was sent. Detailing expectations was important because it would have clearly defined the responsibilities of both parties in the engagement. If the contractor had failed to meet expectations, there would have been a basis for withholding payment for failure to deliver the agreed product or services. Nevertheless, council was very pleased with the outcome.

Recommendation 2

When engaging consultants, following approval by council, a formal letter of engagement should be sent detailing council requirements and expectations for the project.

2.2.4.2 *Derwent Valley*

Derwent Valley Council engaged GVM in July 2005 to conduct a two-day workshop for the Maydena community. The council minutes indicated the objective of the GVM engagement was the development of a community plan for Maydena.

In a letter to the Auditor-General, concern was expressed about the quality of work done by GVM for the Maydena community and a copy of a report was enclosed. It turned out that the accompanying report was that from the Maydena community and not the GVM report. Council staff believed that GVM's report contained practical, forward-looking action plans and strategies. It proposed five outcomes that were addressed by council and the community. These included branding, community newsletters and the development of a business plan for the town.

The report from GVM was formerly received at council. Costs for the workshop were fully reimbursed by DIER. Council representatives were impressed by the company's methodology and the outcomes that it delivered.

2.2.4.3 *Brighton*

The council does not have a formal process for assessing value against project specifications or requirements. Council staff indicated that if an unsatisfactory product were produced the council would simply not use that company again.

2.2.5 *Conclusion*

We found that fees charged by GVM were reasonable and that the entities that had engaged the company believed that they had received value for money.

2.3 *Payment of accounts—compliance with policy*

Tests carried out under this audit criterion aimed at seeing whether payments made to GVM complied with the relevant policies and procedures as outlined in this Report's introduction.

2.3.1 *Department of Infrastructure, Energy and Resources*

DIER, as a state government department, is required to follow TIs. These must be used by departments when purchasing goods and services. However, in addition to TIs, Treasury has also issued a *Procurement Practices Manual: Best Practice for the Engagement of Consultants* (procurement manual). This manual should be used by

departments when undertaking building construction projects above a capital value of \$100 000.

Based on the above regulatory framework, we examined payments covered by both the TIs and the procurement manual. We identified five building projects, with a combined value of \$100 582, where GVM had provided value management consulting services to DIER. Where the capital value of the project is less than \$1 million, the procurement manual recommends the use of an expert drawn from a register of pre-qualified consultants. Currently, there are two pre-qualified consultants on the department's register of value management providers: GVM and a Sydney-based firm. When the register was initially established in 2001, there were five value management consultants pre-qualified, with three of those firms being given provisional registration. The companies with provisional registration were given six months to become registered with the Institute of Value Management Australia Inc. Subsequently, all three were removed from DIER's register as they failed to gain accreditation with the Institute.

DIER has procurement guidelines, issued in August 2005, that rotate registered value management consultants. The underlying idea was to minimise costs to DIER and ensure that more than one firm was listed on the provider register. DIER intended to advertise biennially expressions of interest for firms interested in becoming a pre-qualified value management provider but to date this has not occurred.

Recommendation 3

DIER should ensure that expressions of interest for pre-qualification to the value management register are undertaken every two years.

We examined another five engagements of GVM by DIER that related to non-building works, such as the MRP and the Passenger Transport Project. The combined value of those projects was \$92 510 and we found that the relevant TIs were followed. However, the final cost for the MRP value management study exceeded the original quote—and the \$50 000 threshold as it then was—because two additional workshops were held. If that had been known at the outset, an open tender process should have been undertaken rather than by the closed tender invitation process actually used.

2.3.2 Government business enterprise and state-owned corporation

In Forestry Tasmania and TOTE the engagement of GVM was treated as a routine acquisition of goods and services. As such, it became a matter of expenditure authorisation by an appropriately delegated person.

2.3.2.1 Forestry Tasmania

The General Manager Marketing approved the engagement of GVM and the sum involved (i.e. \$11 000) was within the delegation of that position.

2.3.2.2 TOTE

The Chief Executive Officer approved the engagement of GVM and the sum involved (\$19 800) was within the delegation of that position.

2.3.3 Local government councils

2.3.3.1 George Town

Council has a purchasing policy that stipulates for expenditures under \$10 000 it is desirable that three quotations should be sought, thus conferring discretion on the delegate. The decision to not obtain quotations was made because GVM was known through its previous work for another government business in the Launceston area that had achieved a favourable outcome. George Town's purchasing policy allows it to dispense with the three-quote requirement in some circumstances. However, that decision should have been documented and was not.

2.3.3.2 Derwent Valley

The value management workshop arose following a request by the council and the Maydena Community Development Association to the Premier in February 2005 for some expert assistance in developing a community plan. The matter was referred to DIER to act as sponsor for the project and assist the council to manage the project. The engagement and subsequent payment was thus handled between the two entities. As the primary customer, council had to comply with its own procurement policies while DIER had to follow its policies as it ultimately reimbursed the council's project costs.

Derwent Valley has a detailed procurement policy that indicates:

- Quotations should usually be obtained.

- Local suppliers should be used where possible.

The General Manager may choose to bypass quotations where the desired goods and services relate to a contract obtained through or supplied or provided by a state government agency and this was the case with the GVM engagement. Council selected GVM, as the local provider, from DIER's pre-qualified register and in May 2005, passed a motion to advise the State Government it supported the engagement of GVM.

Despite not seeking three quotes, as DIER assisted council to obtain the services and reimbursed the council for the costs of the workshop, the process followed by council was not inappropriate. Council formally accepted GVM's quotation following agreement on the study objectives. DIER did not provide formal approval to accept the quote from GVM.

The council paid GVM and sought reimbursement (of \$26 265) from DIER. The Manager of Transport Infrastructure at DIER approved the invoice from council that was within his delegated limit.

Recommendation 4

DIER should formally approve engagements where it is the sponsoring agency, rather than the contracting entity. Where the department is committed to reimbursement it should consider the contracting entity's terms of procurement when exercising such approvals.

2.3.3.3 Brighton

Since 2001, Brighton Council has engaged GVM on three projects totalling \$25 685. The current General Manager (who was formerly the Deputy General Manager) initiated all engagements.

Council's delegation policy refers only to purchasing limits that were set 'as per the LGA'. The *Local Government Act 1993* establishes a limit of \$50 000 (section 346—since rescinded) above which tenders must be called. The appropriateness of the wording of that delegation has been raised separately (refer to Special Report No 59 - *Local government delegations* tabled in April 2006).

All GVM invoices were signed as accepted for payment (work performed) and approved for payment by two of the delegated officers in compliance with council policy.

Staff indicated that as long as delegation limits are not exceeded then it is up to the individual delegate as to how they obtain the required goods or services. Given the small size of the council, word of

mouth and recommendation were considered important when selecting a supplier for procurements under \$50 000.

2.3.4 Conclusion

Despite the two recommendations noted above, we were satisfied that payments made to GVM complied with the respective entities' policies and were consistent with normal business practice.

2.4 Parliamentarians' disclosures

2.4.1 Legislation

The relevant legislation in Tasmania for disclosure of conflicts of interests is the *Parliamentary (Disclosure of Interests) Act 1996*. It requires Members to submit a Primary return upon election and an Ordinary return each year detailing various personal interests.

We reviewed the disclosures in Ordinary returns made by the Premier for the period 2001 to 2005, in particular disclosures made indicating 'Interests and Positions in Corporations' and 'Discretionary Disclosure'. We found that a return had been made for each year as required.

Disclosures relating to family interests are not required but may be made by Members if they wish as a discretionary disclosure. Discretionary disclosures may be made for matters that the Member considers may identify a conflict between the Member's private interests and his or her duties as a Member where the Member receives any direct or indirect benefits, advantages, or liabilities, whether pecuniary or not.

The Premier complied with the requirements of the *Parliamentary (Disclosure of Interests) Act 1996*.

2.4.2 Code of conduct

The Tasmanian Government has a code of conduct that expands on existing legislation and provides guidance for all parliamentary members of the government. The code indicates that conflicts of interest arise where:

A Member is in a position to take part in, or influence, an official decision which could improperly advantage the Member personally, or a relative or associate, especially in a financial sense.

We were satisfied following discussions with senior staff at the audited entities that the Premier did not influence the decision to engage GVM. In this respect, the Premier complied with the code of conduct. The code of conduct does provide guidance but does not

apply in this case, as the Premier was not involved in the decision to engage GVM.

2.4.3 Comparison with other jurisdictions

We considered the appropriateness of the Tasmanian legislative and code requirements when compared with other jurisdictions. The Tasmanian legislation applies to all members of Parliament and the Code of conduct to all parliamentary members of the government. In other jurisdictions, codes of conduct apply at a Ministerial level.

We reviewed legislation and codes of conduct in all Australian jurisdictions that particularly relate to pecuniary conflicts of interest, especially to disclosure of interests of siblings. There is considerable variance between the States in relation to the definitions included in legislation for a relative and family. The Tasmanian legislative provisions do not extend to relatives or family interests. Relatives as defined in the Tasmanian legislation are only mentioned in the context of contributions to travel.

Other jurisdictions extend the disclosure requirements to cover immediate family (i.e. spouse, dependent children) interests. Broadening disclosure requirements could strengthen the Tasmanian legislation. However, legislating to broaden the disclosed interests is fraught with difficulties—practically as well as ethically: personal circumstances may make it difficult for a Member to be aware of the interests of relatives. The complexities of these matters were discussed in the 1979 Bowen Report⁴:

One final question that complicates any attempt to avoid or regulate conflict of interest situations is whether the interest must be possessed directly by the officeholder. Will possession by some other person to whom he is linked be sufficient to establish a conflict?

The affairs of persons who have not chosen to enter public life with its inherent vulnerability to public scrutiny may nevertheless be brought before the public gaze by reason of their connections with someone who has opted for office. There is the possibility that [they] may be affected, perhaps adversely, by the extent to which their enterprises have to be revealed to the public because they are intertwined with the past or present interests of a public figure.

A summary of disclosure requirements in Australian parliaments is contained in Appendix 2. Disclosure of interests of siblings is not specifically covered by any jurisdiction. Any disclosure of interests of siblings is currently covered by a discretionary disclosure or

4 Sections 2.41–42, *Public Duty and Private Interest: Report of the Committee of Inquiry* established by the Prime Minister on 15 February 1978. Australian Government Publishing Service. Canberra 1979

encompassed by general provisions that apply when the Member believes there may be a conflict between his or her direct or indirect interests and his or her role as a Member of Parliament.

2.4.4 Conclusion

We were satisfied that the Tasmanian legislation and code of conduct provide a mechanism for the disclosure of personal interests by Members of Parliament. The issue raised in this audit was the extent to which disclosure of family interests were required to be disclosed. The Tasmanian legislation provides only a discretionary disclosure option should the Member deem it appropriate. There are no compulsory requirements for disclosure. The Tasmanian legislation could be strengthened to extend the disclosure of interests to immediate family, being spouse and dependent children, in line with some other jurisdictions.

3 Recent reports

3 Recent reports

Year	Special Report No.	Title
2001	36	Collection of receivables and loans in Tasmanian government departments
2001	37	Archives Office of Tasmania
2001	38	The implementation of Goods and Services Tax in government agencies and local government entities
2001	39	Bank account reconciliations
2002	40	Environmental management and pollution control
2002	41	Keeping schools safe
2002	42	Follow up of performance audits
2002	43	Oral health service: Something to smile about?
2002	44	Managing community service orders
2003	45	Business names and incorporated associations: What's in a name?
2003	46	Leave in government departments
2003	47	Public sector web sites
2003	48	Grants to the community sector
2003	49	Staff selection in government agencies
2003	50	Police response times
2004	-	Ex-gratia payment to the former Governor Mr R W Butler AC
2004	51	Special purpose and trust funds: Department of Health and Human Services
2004	52	Internal audit in the public sector
2005	53	Follow-up audits
2005	54	Compliance audits
2005	55	Gun control in Tasmania
2005	56	TT-Line: Governance review
2005	57	Public housing: Meeting the need?
2005	58	FBT, Payment of Accounts and Bridges
2006	59	Delegations in government agencies, Local government delegations, Overseas travel

4 Future projects

4 Future projects

Details of performance and compliance audits that the Auditor-General is considering are:

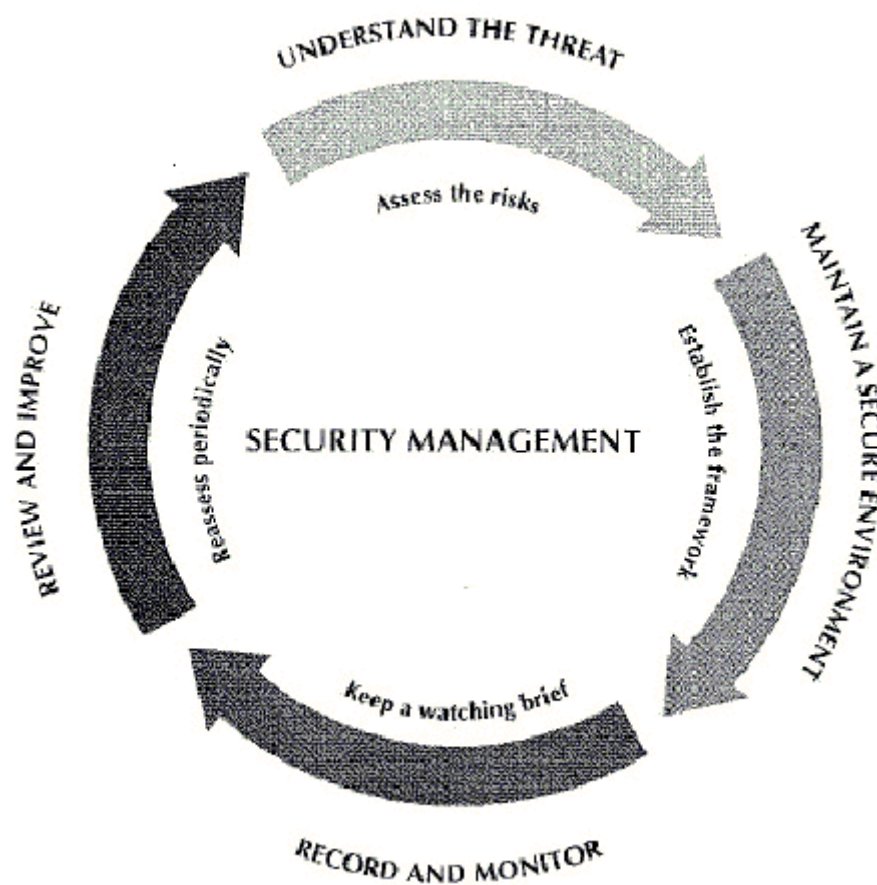
- Performance audit
 - Training and development
 - Business case for Risdon Prison
 - Elective Surgery
- Compliance audits
 - Building security–Phase 2
 - Selected allowances and nurses' overtime

5 Appendices

Appendix 1: A good practice guide for physical access security management⁵

What constitutes good practice in security management will vary according to the organisation and site involved, their operational processes and requirements, products and services, and financial resources.

This guide has been developed after review of the relevant literature, discussion with agency stakeholders and review of relevant Australian standards.



The core concepts of good practice in physical access security management include:

- systematic risk assessments
- clear policies and guidelines
- allocation of security responsibilities
- specific security measures designed to address specific risks

⁵ *Guarding the Gate*, Office of the Auditor-General of Western Australia. September 1996.

- comprehensive record keeping
- regular review and monitoring.

Understand the threat

Risk assessments should:

- identify targets such as:
 - assets
 - information
 - potential victims
- estimate vulnerability, probability and critical costs
- determine legal and ethical obligations of the agency
- review existing procedures
- outline issues and management options
- be regularly up-dated to keep pace with changes in the security environment.

Maintain a secure environment

Security policies and guidelines should:

- address risks relevant to each site
- clearly state required performance criteria or standards
- outline how policies should be implemented
- be well communicated to staff, contractors and the public if appropriate.

Responsibilities for security should:

- be clearly defined and allocated to staff and contractors
- be well communicated to staff, contractors and the public if appropriate.

Specific security measures should:

- emphasise the importance of basic controls such as locking doors and windows and maintaining key registers
- make better use of checklists that help ensure:
 - alarms are in working order
 - fences are in good repair
 - security surveillance and patrols are carried out
 - incident reporting procedures are being followed

- other strategies and procedures are in place and working
- be supported by staff and customers
- include suitable training for staff.

Record and monitor

Security recording systems should:

- be easy to use
- capture the full range of security breaches
- provide sufficient data for the review and enhancement of policies and strategies

Monitoring should:

- be regularly conducted and the results reported to management
- ensure security measures are working as intended.

Review and improve

Reviews should:

- detect likely changes in risk exposures
- reassess appropriateness of security measures.

Appendix 2: Disclosure requirements in Australian Parliaments

	Tas	ACT	NT ^a	Vic	SA	WA	NSW	Qld	Cwth
Legislation	✓	✓	✗	✓	✓	✓	✓	✓	✗
Register of Interests (all MPs)	✓	✗	✗	✓	✓	✓	✓	✓	✓
Annual declaration	✓	✗	✗	✓	✓	✓	✓	✓	✗
Direct pecuniary interest disclosure	✓	✓	✗	✓	✓	✓	✓	✓	✓
Disclosure of personal conflict of Member	#	✗	✗	✓	✓	#	✓	✓	✓
Disclosure of interests of immediate family members	#	✗	✗	✓	✓	#	✓	✓	✓
Code of conduct	✓	✓	✗	✗	*	* ^a	✓	✓	*

Key

✓ = Yes

✗ = No

* = Ministerial code only

= Discretionary disclosure

a = Draft legislation/code pending

Source documents used to form above table

In compiling the information in this Appendix, we accessed the following sources.

Tasmania

- *Parliamentary (Disclosure of Interests) Act 1996*
- Code of Conduct: government guidelines
<http://www.dpac.tas.gov.au/premier/govstand>

Australian Capital Territory

- *Australian Capital Territory (Self Government Act) 1988*
- *Financial Management Act 1996*
- Code of Conduct for all Members of the Legislative Assembly for the ACT, August 2005

Northern Territory

- At the time of reporting, there was a Disclosure of Members Interests Bill before the Legislative Assembly but no code of conduct.

Victoria

- *Members of Parliament (Register of Interests) Act 1978*

South Australia

- *Members of Parliament (Register of Interests) Act 1983*
- Ministerial Code of Conduct

Western Australia

- *Members of Parliament (Financial Interests) Act 1992*
- *Members of Parliament (financial Interests) Regulations 1992*

New South Wales

- *Constitution Act 1902*
- *Constitution (Disclosures by Members) Regulations 1983*
- *Legislative Council Code of Conduct for Members 1999*
- Ministerial Code of Conduct 1995

Queensland

- *Financial Administration and Audit Act 1977*
- *Public Sector Ethics Act 1994*
- Code of Ethical Standards September 2004

Commonwealth

- House of Representatives Practice, 4th Edition
- A guide on key elements of Ministerial responsibility, Prime Minister, Canberra, December 1998
- Department of the Prime Minister and Cabinet, Cabinet Handbook, Fifth Edition, Amended March 2004

Appendix 3: Fees paid to GVM

Date	Client	Topic	Days	Total
Sep-04	Brighton	Risk workshops at \$220 /hr	26.5 hrs	\$5 830
Jun-04	DIER	Motor Registry Project	6	\$59 400
Aug-02	DIER	Alliance contract review	2.5	\$18 700
May-02	DIER	Sorell Causeway PEC procedures	*	\$2 200
May-01	Forestry	Southwood resources	2	\$17 385
Nov-01	DIER	Strahan Entrance	2	\$18 848
Jan-04	TOTE	Training location options	2	\$19 800
Sep-05	Derwent Valley	Maydena future directions study	2	\$23 812
Sep-05	DIER	Cape Barren Is road maintenance	2	\$22 334
Nov-05	DIER	Maintenance contract model	2	\$22 000
Dec-05	George Town	Pulp mill implications	2	\$30 292
		Average for 2-day workshop		\$22 067
Sep-03	DIER	Bus review idea focus risk	1.5	\$1 760
Nov-04	DIER	SIP system	1.5	\$11 000
Sep-01	DIER	Sorell Causeway risk management	1	\$8 250
Sep-01	DIER	Passenger transport–Metro	1	\$8 250
Oct-01	DIER	Sorell Causeway partnering	1	\$8 250
Oct-02	DIER	ABT Railway risk workshop	1	\$4 400
Feb-04	DIER	Motor Registry Project	1	\$10 450
Apr-05	Brighton	Function analysis workshop & report	1	\$9 900
Dec-05	Brighton	20 year plan–facilitation	1	\$5 500
		Average for 1-day workshop		\$7 857

* Preparation of documents: no workshop required