

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO WESTERN AUSTRALIAN TOURISM COMMISSION'S
INVOLVEMENT IN MAJOR TOURISM EVENTS**

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 12 SEPTEMBER 2011**

Grant Thornton Australia

SESSION ONE

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 10.18 am**ANSELL, MR CAMPBELL GEORGE****Partner, Grant Thornton Australia, sworn and examined:**

The CHAIR: Good morning. Thank you for coming. Sorry for keeping you waiting a little while there.

To start with, on behalf of the committee, I welcome you to this morning's meeting. Before we commence, I am required to ask you to take either an oath or an affirmation.

[Witness took the oath or affirmation.]

The CHAIR: You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

Mr Ansell: Yes, I have.

The CHAIR: The proceedings this morning are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you might refer to during the course of this morning's hearing. Please be aware of the microphones; you might like to adjust one towards you. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of the public evidence is finalised, it should not be made public. This prohibition, however, does not prevent you from discussing your public evidence generally once you leave the hearing.

Mr Ansell, you are welcome to make a statement if you like, otherwise we will go straight to questions.

Mr Ansell: I am happy to take questions.

The CHAIR: One of our members will rejoin us shortly. I wonder whether you can start by explaining to the committee the difference between an audit, a review and an agreed upon procedures engagement?

Mr Ansell: Sometimes it can be used synonymously. Normally an external audit is around the testing the veracity of financial information. A review would tend to be an examination or analysis of the process that has been gone through to reach a certain result.

The CHAIR: And an agreed upon procedures engagement?

Mr Ansell: That is more of the nature of a review. Agreed upon procedures would have a series of steps that the auditor or the reviewer would go through and they would report against all of those different procedures in a report. It is intended to provide a very defined scope and enable fairly clear outcomes and procedures to be undertaken.

The CHAIR: To what extent would an audit, review or agreed upon procedures engagement detect for an error?

Mr Ansell: Unless it was specifically a forensic-type examination, it would not ordinarily. Specifically, in engagement letters you will quite often find, as in our engagement letters, they specifically state the intention was not to identify fraud and it will give an understanding of the sorts of information that we will have access to, to limit that exposure.

The CHAIR: Could you explain the role or use of sampling in this type of work?

Mr Ansell: The balance between the cost and resources required to do the assignment and the time constraints available—ordinarily, auditing or review procedures will require a level of sampling. So, rather than testing every single transaction where there are numerous transactions, there will be a sampling technique. The sampling is based on probability models that give you a level of confidence that you have looked at enough to give you a sense of whether it can be extrapolated across the entire population.

The CHAIR: Does the number of samples vary depending upon the complexity?

Mr Ansell: It does, and also the variability of the population. If you are looking at a series of events that are dissimilar, then quite often you will need to have a look at a greater number in the population. So, it does vary somewhat.

The CHAIR: What was the scope of the work that you did for Tourism WA in respect to the One Movement for Music event in 2009–10?

Mr Ansell: Our work was intended to provide an opinion as to whether or not the event organiser had met their milestones under their contract. The work involved an analysis of the delegates in attendance—the interstate, the local and the international delegates—and we compared the analysis of that with the paid and unpaid delegates against the milestones that were set out for the event organiser and we formed an opinion as to whether or not we thought that they had met those milestones in order to receive their incentive payments.

The CHAIR: What were the significant issues that you identified in your findings?

Mr Ansell: The findings were based upon a number of variables. The first, obviously, is the number of delegates—international and interstate—in attendance but also important was the number of paying and non-paying delegates that were there. It was necessary for us to do an analysis of an apportioning of those that were paid and unpaid to form an opinion as to whether or not they had met the key milestones.

The CHAIR: Did you have full access to books and records?

Mr Ansell: Only to the books and records required for us to form an opinion about those milestones. So we had information from One Movement on the details of the attendees, their origin, and obviously enough information to be able to compare those variables to the contract.

The CHAIR: In your view, were the records complete and accurate?

Mr Ansell: We could only work off the information that they had provided to us, which is part of the agreed upon procedures. We relied on information provided to us from One Movement. So anything that happened outside of that, we were not privy to. But it was certainly enough information for us to form an opinion as to whether or not they had met the milestones.

Hon LJILJANNA RAVLICH: Mr Ansell, I am referring here—it might be a bit unfair because you will not have this document—to a memorandum dated 21 June 2010. It is from Cam Ansell, which is yourself, to Sam Phillips and it is regarding the sponsorship agreement. Just by way of the background, and I would like some explanation of this, it says —

We have reviewed the State Solicitors Office advice in relation to the definition of —

The CHAIR: We will put the document in front of you, so you can actually follow it.

Hon LJILJANNA RAVLICH: It is really those first two paragraphs that I am looking at, page 1.

Mr Ansell: I am sorry, this is not a memo.

The CHAIR: It has EX153 on top.

Hon KEN TRAVERS: It is on the last page of this one.

The CHAIR: I think it is on the last page, so it is that one there.

Mr Ansell: Got it.

The CHAIR: It is early yet.

Hon LJILJANNA RAVLICH: For the sake of Hansard —

We have reviewed the State Solicitors Office advice in relation to the definition of the “Delegates” as presented in the sponsorship agreement between Tourism WA and One Movement.

Whilst we consider that Grant Thornton’s definition is more commercially appropriate and consistent with the intent of the definition described by Tourism WA, we have modelled the milestone outcomes using both. This confirms that One Movement has not reached the required delegate participation levels required to claim payments under clause 3.1.3 milestones (h) and (i).

First of all, I wonder whether you can tell me why you actually modelled both and what you found in doing so.

Mr Ansell: Certainly. By way of background, our original analysis of the results from the 2009 event indicated that the event organiser fell short of the milestones and for us to do that, it required us, as I said earlier, to do an analysis of the proportion of paying and non-paying delegates. In doing that, we formed the original conclusion that the numbers were not reached. The event organiser viewed things differently and put forward an alternate approach. We responded to that, maintaining our original view, and Tourism WA followed up with the State Solicitor’s Office for a further view, which provided an opinion, or some flexibility, on an alternative way of approaching it or of counting the numbers to work out whether or not the number of delegates had been received or had attended. We provided analysis based both on our original view, which we thought was more in terms of the context or the spirit of the contract, and then also with the State Solicitor’s Office view, and neither of them reached the milestones.

[10.30 am]

Hon LJILJANNA RAVLICH: Could you give us a bit of an overview—if you can remember this—of what the State Solicitor’s definition, if you like, was of delegates?

Mr Ansell: I am sorry, but I cannot exactly remember. I have read the State Solicitor’s advice, but I cannot off the top of my head give you that explanation. It was, from memory, a result that gave opportunity for more delegates to be counted than we had. So it was potentially slightly less conservative than the view that we took.

Hon LJILJANNA RAVLICH: Why do you think the State Solicitor’s Office became involved in this matter? It would not have been at your request, surely?

Mr Ansell: My understanding is that it was pursued because there was a difference of opinion between the event organiser and Grant Thornton as to the eligibility of them to receive their incentive payments.

Hon LJILJANNA RAVLICH: Can I ask you, have you been doing work for Tourism for an extended period of time?

Mr Ansell: Yes, over four years.

Hon LJILJANNA RAVLICH: Is this an issue that has arisen on more than one occasion?

Mr Ansell: Where State Solicitor’s advice has been sought?

Hon LJILJANNA RAVLICH: Well, where there is some conjecture about how, I guess, the performance targets are in fact analysed, and so therefore maybe at that point the State Solicitor’s advice is sought?

Mr Ansell: No; we have never had a situation like this before.

Hon LJILJANNA RAVLICH: Okay. Thank you.

The CHAIR: Is there any evidence of any payments between One Movement Pty Ltd and event attendees that appeared inappropriate in your view?

Mr Ansell: We did not have access to any transactions between the event organiser and the delegates.

The CHAIR: I guess you would not have had access to information that could have led you to a view one way or the other?

Mr Ansell: No.

Hon LJILJANNA RAVLICH: I am wondering whether you could provide us with a bit of insight in terms of how much of a difference there was, if you had used the calculations or the advice of the State Solicitor's Office in terms of formulating the numbers, compared to your own basis for the formulation of those numbers?

Mr Ansell: I could have a look and try and find the exact numbers —

Hon LJILJANNA RAVLICH: That would be great.

Mr Ansell: But I assume they would be quite different.

Hon LJILJANNA RAVLICH: In fact, it states that the milestones under clause 3.1.3 that were not reached were (h) and (i). I do not know whether they were both in relation to delegates.

Mr Ansell: We had concluded that the target threshold for musicians and other supporting delegates needed to be 53 paid, and the actual number paid was 18.

Hon LJILJANNA RAVLICH: I do not have the milestones under 3.1.3, but was that milestone (h) or milestone (i)? Can you remember?

Mr Ansell: In 3.1.3, (h) and (i) are part of the same section.

Hon LJILJANNA RAVLICH: Okay.

Mr Ansell: Milestone (h) was in relation to achieving a minimum of 75 international delegates, and (i) was in relation to achieving a total of 100 international delegates, or, on a pro rata basis, between 75 and 100, so that was part of the same milestone.

Hon KEN TRAVERS: Was that actually achieving 75 delegates, or was it achieving registration of 75 delegates?

Mr Ansell: That is right—a minimum of 75 international delegates had registered.

Hon KEN TRAVERS: Did that include having made the payment, or just having registered?

Mr Ansell: As I recall, it was having paid.

Hon LJILJANNA RAVLICH: Was there any direct communication between the State Solicitor's Office and yourself?

Mr Ansell: No.

Hon LJILJANNA RAVLICH: Not at all?

Mr Ansell: No.

Hon LJILJANNA RAVLICH: So it was all done through the minister's office?

Mr Ansell: Yes.

Hon LJILJANNA RAVLICH: Thank you.

Hon PHILIP GARDINER: Would you remind me first about the definition of “paid” and “unpaid”? How did you differentiate those two things? There are a number of ways that could occur, is there not?

Mr Ansell: There is the capacity to provide complimentary attendance. So, of the total participation that we analysed, there was a proportion of musicians that were unpaid, so they received complimentary attendance; and then unpaid was about 70 other. So unpaid is just people who received complimentary admission. They were not required to make a payment.

Hon PHILIP GARDINER: So part of the incentive in coming was, in a sense, to be allowed to come as delegates for which One Movement could achieve their targets? But it could have been done in another way by actually One Movement paying them to come and then writing a cheque out to delegates, could it not?

Mr Ansell: As I said before, I would not have access to that information.

Hon PHILIP GARDINER: No. It is just really thinking of the different ways that the payments could have been structured.

Mr Ansell: It is possible.

Hon PHILIP GARDINER: So “unpaid”, as I understand it, is to say to a band, “You are coming to perform in Perth, and we will then allow you to be a delegate without paying the delegate fee”. So in one sense, that would allow them to meet the delegate milestone. The other way they could have done it, I presume, is that they could have said, “We will pay you to come, but we want you to buy your tickets with that money to be a delegate”. It is achieving the same end. It is just a matter of the structured payments that I am trying to get an idea about.

Mr Ansell: And we had no visibility over the potential for that transaction to take place.

Hon PHILIP GARDINER: Thank you.

Hon KEN TRAVERS: This follows on from what Mr Gardiner was saying. As I understand it, in the first year, the argument from One Movement, to just summarise it, was that they brought into Western Australia more people than would have been required under the targets; the issue was they just were not paying delegates. They were required to bring 100 people into Western Australia, and they brought 100 people in, but only less than 75 of them paid, so they did not meet their target; and they were arguing they should be allowed to include the full 100 that they brought into the state and that spent money here. Is that roughly the idea?

Mr Ansell: Yes, from memory I think that their response was a bit more sophisticated than that—that they had gone to analyse the cost, or the paying and non-paying structure, in a slightly different way than we had. So, in our second response to that, we argued that we did not think that they were comparing apples with apples when they were using the nominators of paid or unpaid. So I do not think their argument was one just of principle. They sought to see that their position would be justified on the basis of the contract.

Hon KEN TRAVERS: So for the second year, your document says that you will report to the commission on 10 February 2011, and that on a sample basis you would reconcile payment receipts to independently confirm the payment status of visitors to validate the integrity of information provided by One Movement. What exactly did you do to validate that?

Mr Ansell: Okay. One Movement provided us with a listing of those attendees. They also provided addresses, their origin, and they had, from memory, collated that information into international, interstate and local delegates. Our role then was to be able to, on a test basis, see whether or not those that had been classified as international were in fact billed as international and that they had received the money from that billing. So we were tracing through to the invoices that were levied against the delegates and then straight through to the bank statements to make sure that the moneys were actually receipted.

[10.40 am]

Hon KEN TRAVERS: And then the next one was (c). It says, “We analysed and verified the validity of the visiting status of the registrants against the criteria outlined within section 11.1 of the sponsorship agreement”. What did that entail specifically?

Mr Ansell: Both the billing address plus the identification in their summary schedules needed to indicate that they were from interstate or overseas and then also that obviously the additions and the totals within the interstate, the overseas and the locals were consistent and accurate.

Hon KEN TRAVERS: Did you ever do any analysis to see whether or not One Movement had basically paid, by whatever mechanism, those delegates their registration fee and then they had forwarded it on? Did you do any work to verify whether that had occurred or not?

Mr Ansell: No, we did not have access to the financial records of the delegates which would be necessary, I think, for us to be able to.

Hon KEN TRAVERS: Did you contact the delegates in any way at all?

Mr Ansell: No.

Hon KEN TRAVERS: Because it strikes me that, if we go back to my first questions, if in the first year you bring out 100 people but you can only claim 75, or less than 75, of them as being registered delegates, you would make sure in the following year that everyone who was brought out became a registered delegate so that you would qualify for the payments. That strikes me as a fairly logical thing for One Movement to have done.

Mr Ansell: I think it is the nature of incentive payments that you would aim towards achieving your milestones.

Hon KEN TRAVERS: If you think about the amount of money that was involved, the allegation has been put that the artists were paid effectively as part of their performance fee the cost of registration. They were then required to put that registration fee across and then they were effectively covered. Is any of the work that you have done able to confirm whether that did or did not happen?

Mr Ansell: As I have mentioned, we did not have visibility over those transactions. We did specifically indicate in our engagement letters that those sorts of processes were outside the scope of what we were looking at. However, there was nothing during the course of the information that we did look at that there were any indications of any impropriety given that limited visibility.

Hon KEN TRAVERS: But when you say “impropriety”, what do you mean by that?

Mr Ansell: There was not anything to suggest that there was anything in the information that we examined that was untoward.

Hon KEN TRAVERS: But would you have considered if they were basically saying to a band, “We’ll give you \$4 000 for performance fees but you have got to spend \$1 200 on that in registering two of your members to come”, would you have considered that to be improper?

Mr Ansell: It was not part of the scope of the work that we did.

Hon KEN TRAVERS: So when you say there was no element of impropriety, that question was not something you were looking at?

Mr Ansell: No. We do in our engagement letter indicate that if anything comes to our attention we would bring it to the attention of the client, but there were none, so.

Hon LJILJANNA RAVLICH: Just going back to that memorandum from yourself to Sam Phillips on 21 June 2010 and your response to the committee that you had information provided to you from State Solicitor’s Office, I neglected to ask whether you would be able to provide the committee with that information or the correspondence that you had received. Have we got that? Okay, sorry. I now

want to turn to part of the same set of data, I guess, on page 2. It is probably best to describe it as a correspondence dated 25 May.

The CHAIR: EX150.

Hon LJILJANNA RAVLICH: Yes. That will help. On page 2, it is the subset of a heading “Scope”. We are at 2.3 and 2.4. It is about your engagement. At 2.3, it states —

The objective of our engagement is to document, evaluate and appraise One Movement’s methodology and calculations on how it achieves the milestones under the contract, which forms the bases of its claims for payments.

Can I ask you: what did you find in terms of the methodology and the calculations generally?

Mr Ansell: As we go through in that analysis we have responded to their suggestions as to why our initial report was incorrect and that there was a different way of looking at the contract to come up with milestones that they felt would achieve a different outcome. Principally, the conclusions that we came with was that they, in our view, were not using the right denominators, so they were not comparing apples with apples when they were comparing those calculations that would get them above the milestone. Then, secondly, we felt that they had not properly applied the ticket payment ratio, meaning that they had not given proper consideration for the proportion of those delegates that were unpaid versus paid.

Hon LJILJANNA RAVLICH: It seems a bit odd that Tourism WA would want to get those figures up given that it meant that they would then have to make a payment to One Movement. Did you think that was unusual?

Mr Ansell: We did not see any indication that Tourism WA was looking at having the numbers increase. Tourism WA did not question the findings that we reached.

Hon LJILJANNA RAVLICH: Can we just go 2.4 then, which states—

We have requested —

That is, you —

in our review to only consider One Movement’s “without prejudice” submission and place reliance on the company’s categorisation of the visitors to the event. Accordingly, we have neither audited the supporting data annexed in the email dated 22 April 2010 nor consider the company’s classification of the visitors and therefore disclaim the veracity of the data presented ...

Can I just ask: is that normal practice?

Mr Ansell: Yes; it is part of limiting the scope. What we were saying was that we have been asked to recalculate, based on the assumptions we used in the first report, having regard to the event organiser’s assertions in relation to the mix of interstate, international visitors. What we have said is we have calculated it based on the information that they provided, but the information that they have provided has assumptions of its own, which was not subject to the initial review, and so it is really just saying if we take it as given—the analysis—and we run through the calculation to find that they still did not make the milestones.

Hon LJILJANNA RAVLICH: What is the integrity of the data, given that there are so many assumptions at so many different levels, if you like, throughout the process?

Mr Ansell: I am sorry; I am not sure I understand.

Hon LJILJANNA RAVLICH: I guess, there are certain assumptions that are made by the department and then they will forward information to you. You will make another set of assumptions on the information that is provided. I am really asking: how is the integrity of the data maintained over the whole process?

Mr Ansell: At the outset we give an indication of the information that we require to meet the client requirement. Once that is agreed we hopefully are sharing the same information through the process, and so that is one of the ways to make sure that the data integrity is maintained. Obviously, the reports will go through a drafting process to enable everyone to see the information that we have used and the conclusions that we have drawn. If we have made a mistake somewhere in there, it may be around the information that we use, but ordinarily we had procedures to try and make sure we were using the same information all the way through.

[10. 50 am]

Hon LJILJANNA RAVLICH: Finally, if I heard you correctly, I think you said that different modelling of the data can deliver different results?

Mr Ansell: Yes.

Hon LJILJANNA RAVLICH: In going back to the question of the integrity of the findings, how can we be satisfied that the findings are true given that that modelling can take place to manipulate the final outcome?

Mr Ansell: That would not be an issue of the veracity of the data but rather the assumptions that are used from the contract. As I mentioned at the beginning, the key areas that we had a difference of opinion on were largely around the application of the contract clauses around unpaid versus paid. Our view that it was necessary to do a pro rata analysis, because you had a lot of unpaid delegates and the contract required there would be a minimum proportion of paid delegates within the contract, the event organisers read that in a different way, so it was not that we were looking at different data or that we had differences of opinion about what constituted an interstate, local or international delegate; it was more the application of that variable in the contract to that population that we were using consistently.

Hon LJILJANNA RAVLICH: Thank you.

Hon KEN TRAVERS: Was the work you were doing on a fixed-fee or an hourly basis?

Mr Ansell: No, we do an estimate at the start of the job and give a quote as to how long we think it is going to take.

Hon KEN TRAVERS: Is that through a panel contract or on a tender basis?

Mr Ansell: Yes; we are on the CUA panel, so small projects like this are done through the CUA.

Hon KEN TRAVERS: I assume the 2009 original estimate and what you ended up charging would have been quite different—the additional work required as a result of One Movement's challenge?

Mr Ansell: There was certainly more work than we anticipated at the commencement.

Hon KEN TRAVERS: You may not have it here now, but I am interested in knowing what the expected price was and what you ended up charging for the 2009 festival. You can give us 2010 as well. I do not know whether you know it now or can provide that as supplementary information.

Mr Ansell: Certainly.

[*Supplementary Information No A1.*]

The CHAIR: If we have additional questions, these will be provided to you in writing along with the transcript of the evidence, which will include also the supplementary question that you have just taken on notice. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, could you please advise the committee in writing as soon as possible before the due date. That advice is to include specific reasons why the due date cannot be met.

Finally, on behalf of the committee, thank you very much for your attendance this morning. We now close the hearing.

Mr Ansell: Thank you.

Hearing concluded at 10.52 am