

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO THE MEMORANDUM OF UNDERSTANDING BETWEEN
BALGA SENIOR HIGH SCHOOL AND MANUFACTURING INDUSTRY TRAINING
SERVICES PTY LTD**

CLOSED SESSION – SESSION TWO

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 15 OCTOBER 2007**

Members

**Hon Giz Watson (Chairperson)
Hon Ken Travers (Deputy Chairman)
Hon Sheila Mills
Hon Helen Morton**

**Hon Peter Collier
(Substitute member for Hon Anthony Fels)**

Hearing commenced at 3.35 pm

[The committee took evidence in closed session]

McCAFFREY, MR PETER
Deputy Director General, Finance and Administration,
Department of Education and Training.

The CHAIRPERSON: On behalf of the committee, I welcome you to the meeting. You will have signed a document entitled “Information for Witnesses”. Have you read and understood that document?

Mr McCaffrey: Yes.

CHAIR: These proceedings are being reported 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 refer to during the course of this hearing and please be aware of the microphone and try to speak directly into it. Even though this is a private hearing, you should note that the committee retains the power to publish any private evidence. The Legislative Council may also authorise publication. This means that your private evidence may become public. Please note that you should not publish or disclose any private evidence to any other person at any time unless the committee or the Legislative Council has already publicly released that evidence. I advise you that premature publication of private evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege.

Would you like to make an opening statement, or would you prefer to start with the questions?

Mr McCaffrey: Start with the questions.

The CHAIRPERSON: Could I start with asking: what was your area of responsibility or involvement with regards to the Balga Works program?

Mr McCaffrey: I am also the chief finance officer for the department, so any funds that are transferred to a school goes through our school grant gateway, which is a mechanism by which we keep a record of all of the funds and what they go out for. As the chief finance officer, I am responsible for signing off for anything to be included into the school grant gateway. In the case of Balga Works, when the investigation was undertaken by the district office and they looked at the state of the financial affairs of the school, the recommendation was that the school was short of funds and that they required some supplementation. That report would come through the lines of management to me, and I signed off on the fact that there needed to be some funds go to the school to make sure they could meet their commitments.

Hon PETER COLLIER: When was it first identified that there were problems with the school - with Balga Senior High School?

Mr McCaffrey: When they were first identified?

Hon PETER COLLIER: Yes.

Mr McCaffrey: I think it was known that there were issues with the program in 2005. In 2005, from August to December, I was on sick leave. I had both knees replaced. I came back to work in December, and in the early months of 2006 there were a lot of issues that were being dealt with by other people. I think there was a number of discussions and meetings that were held by various

people with the school about the situation regarding the payment of invoices. Then a report to find out - because at the time the school did have funds in the bank. I cannot remember exactly how much they were, but they were certainly sufficient to meet any commitments they had, although that meant using schools' funds that were for the other cohort of students that were not associated with the Balga Works program that they needed to be paid. I think that the report was done in August and I had it in that parliamentary question that you asked previously. I think you asked for the dates, so there is a chronology of those. I think the first time I gave the approval for extra funds to go out was mid-September.

Hon PETER COLLIER: September 2005?

Mr McCaffrey: Two thousand and six.

Hon PETER COLLIER: What about in 2005 and the issues of financial problems that did not involve Balga Works? Are you aware of any problems?

Mr McCaffrey: At the school?

Hon PETER COLLIER: Yes.

Mr McCaffrey: That did not involve Balga Works?

Hon PETER COLLIER: Yes.

Mr McCaffrey: Not that I can recall, apart from traditionally the school had trouble sometimes collecting the fees because of the environment - the lower socioeconomic area - but we also have programs in place to help people with health care cards and those funds would go to the school. I think it is fair to say it is certainly not one of our wealthiest schools but nothing was brought to my attention to say that they needed a significant top-up of funding that I can recall.

The CHAIRPERSON: Mr McCaffrey, I might go back to some general questions again. How would you say that Merv Hammond misled the department about the program and Mike Carton's involvement in 2005?

Mr McCaffrey: Sorry, could you just repeat that?

The CHAIRPERSON: How would you say that Merv Hammond misled the department about the program and Michael Carton's involvement in 2005 - if indeed you think that he did?

Mr McCaffrey: That would be my first response. I was not aware of him misleading the department at that time. As I said, I was not there for most of the last half of 2005. There were some legal issues with a company in Victoria - MITS - which I think we talked about the last time we were here, about a memorandum of agreement and there were some issues surrounding that that came to our attention, claiming outstanding invoices and payments, I believe. I was not aware that he was deliberately misleading the department.

The CHAIRPERSON: Why did the department allow Mr Hammond to engage MITS when a directive had been given in October 2004 from the Director General of Education and Training to not do so?

Mr McCaffrey: With all due respect, I do not see how I can answer for the whole department on that matter. I can probably only talk to you about those areas that I was directly involved with. I am not trying to evade your answer; I just think it is probably something I cannot talk for the whole agency.

The CHAIRPERSON: That is fine.

Hon KEN TRAVERS: Who would be responsible for that, though?

Mr McCaffrey: The responsibility for all schools when they run programs or they engage outside contracts for whatever purpose is the responsibility of the principal. The principal has the authority and responsibility to manage their school for the kids they have and run the programs and the

courses that they deem fit. In my mind, I have no doubt it is clearly the responsibility of the principal.

Hon KEN TRAVERS: So then as the chief financial officer, what is your role in terms of engagement or, at what point do you become involved if a principal engages someone outside of those guidelines?

Mr McCaffrey: If it is brought to our attention as an agency, I would be involved and provide advice and direction, if necessary, as to the correct processes to follow. As the chief finance officer, my responsibilities are expansive. I do not have intimate knowledge of every operation of every school. I think it is unfair to think that I would. We have very firm policies and guidelines about financial management processes in schools, and that covers everything. It covers from contracting, employment of staff, paying GST, withholding tax, payment of accounts - the whole lot.

Hon KEN TRAVERS: The point I am trying to find out is at what point do you, as the chief financial officer, become aware of -

Mr McCaffrey: It depends on the circumstances and the timing of it. When I came back from leave, there was already things happening. I got involved, I think it was early 2006, and was part of an internal group that met to help work through some of those issues. So, as the chief finance officer, because there was contractual issues or what have you, I would be one of the people who would participate in those groups.

Hon KEN TRAVERS: What would be the internal mechanisms within the department to identify if there are problems in individual schools?

Mr McCaffrey: Apart from the audit processes we have?

Hon KEN TRAVERS: Yes.

Mr McCaffrey: It can come from a variety of places. It could be a member of the community that has dealt with the school that is unhappy with it or it could be a supplier who is unhappy with something that has happened in the school. We have, as you are probably aware, finance and administration officers in every district, and their responsibility is to work with schools on assisting them with financial procedures, helping them work through any difficulties they have in applying the rules and guidelines as a general support, and also to assist the director in any evaluation that is required in the school.

Hon KEN TRAVERS: So if they identify a problem with the school, what would be their responsibilities? Is it just to deal directly with the school or is it to report up the line?

Mr McCaffrey: In the first instance, the reason we have a finance officer in every district in the metropolitan area - I think there are two or three in some - is specifically so they have hands-on experience to work closely with the schools as soon as something becomes an issue. So it would not get escalated up the line to me as an individual because lots of other people would need to be involved to get work done before it got to that stage. I do go out and visit districts and talk at conferences to reinforce the responsibilities and roles and authorities of principals in particular. I do talk and pass the message to registrars, encouraging them to use the finance resources of the district office whenever they feel that they are unsure. There is a whole range of mechanisms and reasons by which there would be those issues dealt with at the local level. It was part of the philosophical approach that you move the resources closer to the schools so that there is a more immediate reaction, no matter what it is, and finance just happens to be one part of that because it covers the whole spectrum of operations in a school.

The CHAIRPERSON: The committee understands that the department's funding was frozen for a period between late 2005 and 2006. Are you aware of that? To the school.

[3.45 pm]

Mr McCaffrey: To the school?

The CHAIRPERSON: Yes.

Mr McCaffrey: I am not aware of it being frozen as such. I think the last school grant gateway goes out in October-November, so that would be their funding entitlement for the year. The school grant goes out to schools in February. That is the first gateway of the new year. There was some concern, I think, about the number of students - if I can call them students - who were going to be part of the Balga Works program. Because the staffing of schools is worked out on a formula based on the number of students that they have, there may have been some doubt about how many would be there, because that would affect the resources that they would be entitled to. It was quite clear in those early parts of 2006 that the school was able to run different programs - you probably know more, after talking to other people - and Mr Hammond was very innovative and supportive and ran different programs for the students that he had. So, it may well have been that, that I can think of. There were no other funds to go out, apart from determining what the staffing entitlement was for the school. I know we talked about it last time, and it was in the parliamentary question that we provided to Mr Collier, about the school's authority - not authority; that is probably the wrong word - desire to cash in some of their staffing equivalent so that they could engage different people to run different programs, of which this happened to be one. That would be my understanding of the word "freeze", which, quite frankly, is not something that I had heard.

The CHAIRPERSON: So you are not aware that there was any delay in providing funds?

Mr McCaffrey: Well, there were no funds to go out, apart from the staffing, which is paid centrally. The request would be "Can I cash this FTE into dollars?", which would go then into the school grant. It could be a mixture. We hold a school salary pool, which I talked about before, and the school would say, "We need to engage these people directly, so we want that money there so that when we engage them, we have got the funds to pay them." The rest would go out of the school grant, and they would use it for whatever program funding requirements they have. In this case, I am sure that was directed to the Balga Works program.

Hon KEN TRAVERS: On that point, in terms of approving the conversion of salaries to a school grant, when would that have occurred?

Mr McCaffrey: That would be, I think, in late December, early January, those discussions. As an example, the staffing process starts in August-September. They are running now, the transfers for people going into schools; so they would be getting information from the schools on what they expect their cohorts to be, and then this formula would be run, and the staffing entitlements would be worked out through our staffing branch. I do not know every little point that happens, but they have got the people. They know what they are entitled to before the year starts.

Hon KEN TRAVERS: Are you aware of whether there was ever a delay - that is, a request was put in to convert salaries to a school grant, and whether there was a delay in approving that grant?

Mr McCaffrey: I cannot recall. No, I do not remember that specifically, but there could well have been, because of the uncertainty about the number of students that they were going to have. That would be my take on it.

Hon PETER COLLIER: Can I just follow up on that. I refer to an email that you would have received from John Garnaut, dated Friday, 17 February 2006. It was to Keith Newton, with a CC to yourself. It says -

Hi Keith

As requested by the Balga Works Reference Group, I have instructed Merv Hammond not to make payments to the private provider until there is clarity about the contractual arrangements, and a plan and budget are in place for semester one 2006.

It also states -

No course deliverers have been paid since this directive and the obvious complaints are emerging.

So, you would have received a copy of that email?

Mr McCaffrey: Obviously. I get many emails a day. I see that as a different question to the one that Mr Travers asked.

Hon PETER COLLIER: Because this is to the private provider?

Mr McCaffrey: Because if there was doubt about the veracity of the invoices being provided to the school, and the school was unable to demonstrate that it was a bona fide supply, then they should not be paying any accounts. That may well have been because of the uncertainty about the students that were involved in the program. Okay? So, again, nothing to do with the money not going to the school. The school had funds. It is their responsibility to pay any supplier who they contract, whether legally or illegally, to meet those commitments. I made that point the last time I was here.

The CHAIRPERSON: Mr McCaffrey, can I just go back to your answer to Mr Travers, when you said you thought that you would have that information. Is it possible to provide that on notice, as it were?

Mr McCaffrey: What information?

The CHAIRPERSON: About the delay in approving -

Mr McCaffrey: The timing of when those decisions were made?

The CHAIRPERSON: Yes.

Mr McCaffrey: I would have to go and get that from the staffing directorate.

The CHAIRPERSON: If you could give us that on notice, that would be great.

Hon KEN TRAVERS: I guess who would know is probably a better question.

Mr McCaffrey: We have a director of staffing, who is responsible for staffing all schools. We have an executive director human resources, who is also the line manager of that person. So, that is where that would be managed.

The CHAIRPERSON: The State Supply Commission approved a waiver of the public tender process on the condition that the department executed a formal contract document with Hurson. Was this formal document ever executed?

Mr McCaffrey: That was as part of the tender process, I think. Is that what you are referring to?

The CHAIRPERSON: Yes.

Mr McCaffrey: They went out to tender, and it was found that the tender results were very expensive, and that is when it was not meant to go ahead. I am just trying to recall when we advised the State Supply Commission that there was not any binding contract. There was meant to be an agreement between the two parties of what was expected. I think I have a copy of that letter somewhere here, if I can just refer to it. That is something that you may already have as part of your documentation. If you can point me to the bit that you are referring to, because a lot has happened -

The CHAIRPERSON: Sure.

Mr McCaffrey: It is attachment B. Is that the one you are referring to?

The CHAIRPERSON: It is a letter dated 3 March 2006, addressed to Mr Paul Albert, from the acting chief executive officer, Mr Phil Turner, attachment B.

Mr McCaffrey: I do not think I have attachment B, but you are correct. There was an expectation that there would be something signed.

The CHAIRPERSON: If I can just read the paragraph -

Mr McCaffrey: That would be very helpful.

The CHAIRPERSON: It reads -

It is a condition of this approval, that your department receives a formal offer from Hurson Pty Ltd for the period from 23 February 2006 to 30 June 2006 and executes a formal contract document. The contract award details must be published on the WA Government Contracting Information Bulletin Board.

Mr McCaffrey: Look, I am not sure if that did happen. I know there was some form of agreement that the principal signed with Hurson, which would have been around about the February-March period, but I cannot attest to that actually happening. I am not sure.

Hon KEN TRAVERS: Are you possibly referring to the second memorandum of understanding between Hurson and the department, signed by Merv Hammond?

Mr McCaffrey: Yes, that is the one I was thinking of, that I have referred to, but the formal document, I do not know whether that happened or not.

Hon HELEN MORTON: I have just a couple of other questions around that process. That letter was written back to Paul Albert from the chief executive officer of the State Supply Commission on 3 March. That followed a letter that was signed by yourself on 23 February to Phil Turner. In that letter, you make the comment - this is in February 2006 - that the program has already delivered significant results for participating students, and the department is committed to providing ongoing support to these students. Can you indicate what you are referring to in that?

Mr McCaffrey: What I meant?

Hon HELEN MORTON: Yes.

Mr McCaffrey: I meant the students that Mr Hammond was dealing with, it is well documented how difficult they were. They were off the streets. They were engaged in something. At that time, it was understood, certainly by me, that Mr Hammond had given a commitment that he could manage that program within his existing total resources. I would have been referring to the fact that the kids - students - were having something meaningful to do. So, that was where I was coming from. I think in my mind that all along the students were paramount, whether they were the students in the other programs in Balga, or whether these difficult kids were getting some help. That is what I was referring to. At the time, we thought that if we went out to a tender and had a formal process, that it would be possible to get a balance of what would be able to be delivered within the resources the school had. In that case, it did not turn out that way.

Hon HELEN MORTON: I take it that in your position, you would not have drafted this letter yourself but would have gotten other people to assist with that. Would Merv Hammond have had some input to this?

Mr McCaffrey: No, not at all. That would have come through our contract management area. Also, we had at the time an officer from the Crown Solicitor's Office, who was working in our agency by providing some legal advice, so between the two -

Hon HELEN MORTON: Would the contracts people have gotten in touch with Merv to get some of this put together?

Mr McCaffrey: I am not sure whether they specifically contacted him on that letter, but they had been in contact with Mr Hammond to provide him advice on the correct processes to follow in contractual matters. I might point out that I sign all the letters that go to the State Supply Commission, no matter where they come from within the department.

Hon HELEN MORTON: So, the one that followed after that response from Phil Turner to Paul Albert on 3 March was again signed by you? It is undated, but it does ask for a further extension,

because you were referring to his letter of 3 March to you, saying that you wanted the period extended to October 2006. In that letter, you say that the department is currently finalising the formal contract with Hurson Pty Ltd in conjunction with the State Solicitor's Office.

[4.00 pm]

Mr McCaffrey: That was the tender process, that we needed the extension because we had not tidied it up. That is the one that you were referring to before about whether there was a formal agreement signed.

Hon HELEN MORTON: Yes, but this letter actually - this letter, which is well after the letter that came on 3 March, you are saying that the department is currently finalising the formal contract with Hurson Pty Ltd in conjunction with the State Solicitor's Office.

Mr McCaffrey: Yes.

Hon HELEN MORTON: So there must have been a formal contract that was being developed with the State Solicitor's Office and Hurson.

Mr McCaffrey: Yes. That would have been handled through the legal officer, rather than myself, and the contract services people. As I said earlier, I do not recall ever seeing a signed document.

Hon HELEN MORTON: But you do know that there was one being developed - being finalised with the State Solicitor's Office.

Mr McCaffrey: There was one that was meant to be done, and actually the stage of finalisation, I honestly cannot comment as to what point that was at when we wrote that - when that letter was asked for me to sign. I could certainly go back and have a look at any information that I may have seen, but I just do not recall seeing that final document. Can I ask a question? Have you got a copy of the final document?

Hon HELEN MORTON: I have not from the State Solicitor's Office.

Mr McCaffrey: Of the one that has been referred to? No, you have not got one, because we went through - I mean, when I say "we", I say the agency - we had some people go through every bit of correspondence that we could find that pertained to this particular issue, and I thought there was a chronology that you may have been given on all that sort of information. If it did not appear in there then I can only surmise that it was not finalised.

Hon HELEN MORTON: But I do not even mind if it was not finalised. The fact is that you are stating quite categorically that you are currently finalising the formal contract with Hurson in conjunction with the State Solicitor's Office, which means there must be something. We are not talking about fresh air. We are talking about there must have been something that you were finalising.

Mr McCaffrey: You say when I was finalising.

Hon HELEN MORTON: Well, you -

Mr McCaffrey: I was not finalising.

Hon HELEN MORTON: This is -

Mr McCaffrey: I signed the letter because, as I just pointed out, I sign every letter. I have no - it is impossible for me to have intimate knowledge where everything is at any particular time. If they provide it to me through the legal office to say we are working with the State Solicitor's Office to do that, I do not go and check every little thing that has to be done as part of that letter, and if you are suggesting I should, perhaps on this occasion I wish I had. But I do not recall actually going in and saying, "Well, show me that document; tell me where it's at before I sign that letter."

Hon HELEN MORTON: Given that it was an actual condition that was put to you by state supply before this exemption could be provided, that was the only condition that was put to you, that you had no recollection of even checking to see whether that was taking place.

Mr McCaffrey: That is what I just said.

Hon HELEN MORTON: The final letter that I have got that came to you from the State Supply Commission was dated 9 May, so this has now gone from March to May, and again the letter approves the waiver of the public tender process extended to the period that you requested and was again “I note that a formal contract with Hurson has not been finalised and recommend that you amend the contract term to 15 October 2006”, and this of course was sent to you directly this time, not to the director general. Again, I am asking you: did that not give you some suggestion to go and check on what was happening with this formal contract?

Mr McCaffrey: At the time we were in the middle of a tender process, and I am pretty sure that if you check that out, that was what was happening. Again, if you ask me did I do it, I do not recall doing it; and, again, if you ask me should I have done it, in reflection, I probably should have.

Hon PETER COLLIER: Did you say you were in the middle of a tender process that was in May

Mr McCaffrey: It was around about that period.

Hon PETER COLLIER: But it had gone out to tender in May when you sought a second exemption.

Mr McCaffrey: Beg your pardon?

Hon PETER COLLIER: Did you not seek a second exemption in May?

Mr McCaffrey: Because the process was going to take longer to complete.

Hon PETER COLLIER: Yes.

Mr McCaffrey: I honestly cannot remember the exact dates.

The CHAIRPERSON: Mr McCaffrey, can I just take you back to the issue of the contract. Who would be the person within the department who would be responsible to ensure the contract had been signed?

Mr McCaffrey: All contracts go through our contract management office, which is now the Department of Treasury and Finance; they re-badged them. They handle everything to do with anything that is over, I think, \$20 000. They prepare the documents and the only exception, I think, would be in some of our ICT contracts where we have a specific person who deals with ICT contracts because of their complexity, and there are also contracts that are managed through our asset services branch for the purchase of land and those types of assets. But, again, the advice we would get would be through our contract management office.

The CHAIRPERSON: So the person in charge of that section would be the one who would have to ensure the contract had been signed?

Mr McCaffrey: Yes, I believe so.

The CHAIRPERSON: I guess I am trying to work out where the buck stops in terms of that process.

Mr McCaffrey: Yes, they have to have a process to follow and, at the end of the day, a contract would be signed either by the minister, by the director general or whoever has the delegated authority to sign whatever particular contract we are talking about, and they help manage that process because it is a very complex area.

Hon PETER COLLIER: Just with regard to that initial decision to waiver the tender process for Balga Works, now that was made at the investigation reference group meeting on 20 December 2005. Do you recall that?

Mr McCaffrey: If that is the date you have information on, that is accurate.

Hon PETER COLLIER: I am just seeking a bit of comment from you with regard to this. At that same meeting, you would then have - or the meeting the group would have had - been privy to the details of the October 2005 audit and the November 2005 audit, which showed some very serious problems with regard to the finances of Balga Works program and Balga Senior High School.

Mr McCaffrey: I honestly cannot recall. As I said, I had just been on extensive sick leave, so I had only just got back to work.

Hon PETER COLLIER: But noticed on that issue - this is also from minutes from the meeting - the Balga Works reference group met to discuss, one, the findings of Peter Burgess's Balga Works program investigation report. Are you familiar with that report?

Mr McCaffrey: I was aware that that report was being done while I was away.

Hon PETER COLLIER: Because that showed some astonishing problems with regard to the management of the program and the school. It also indicated a problem with regard to the actual conduct of the program itself. From your understanding of the program itself, the delivery was done by a private provider. Is that correct, as in Hurson Pty Ltd?

Mr McCaffrey: That was my understanding.

Hon PETER COLLIER: In the Peter Burgess report, Merv Hammond was asked whether Hurson was an RTO and he responded yes, but when Mr Carton was asked, he said, "No, it's not an RTO and never has been." I just wonder how the group would allow the program to continue with an organisation that was not an RTO. Was it discussed at that meeting? Do you recall?

Mr McCaffrey: I do not recall the RTO status ever being raised until you raised it now.

Hon PETER COLLIER: Okay. Do you see that as being a problem or not?

Mr McCaffrey: Of course.

Hon PETER COLLIER: Pardon?

Mr McCaffrey: Of course. It was not something -

Hon PETER COLLIER: Why would you see it as being a problem?

Mr McCaffrey: We have a process where you have to have a registered training organisation that meets all of the guidelines under the training act. So, I mean, most of the people that deal with our students, whether they are in TAFEs or what have you, are meant to be an RTO wherever possible.

Hon PETER COLLIER: According to the DET website, of course you must be a registered RTO. I actually checked with the National Training Information Service with regard to this and it was very easy. They said, "No, Hurson has never been an RTO, and it currently is not and it never has been." But the fact that this information was available to this group on 20 December 2005 - this is the group that was then going to make progress with regard to what was going to happen with the program. The delivery of the program was being conducted by an organisation that was not registered and that information was available to the members of that group.

Mr McCaffrey: So you are asking me why that was allowed to happen?

Hon PETER COLLIER: Yes.

Mr McCaffrey: I think everyone knows that it was a fairly complex situation that we had at Balga Works. The people who are responsible for managing the affairs of the school and also through the district office and that hierarchy felt that it was important that the students were looked after. I

honestly cannot recall the discussions that were held at those meetings. I was - I am pretty sure I remember Mr Burgess coming in and talking to the group. I honestly cannot recall the nature of the discussions at the time.

Hon PETER COLLIER: So by that stage, then, there had been two fairly scathing audit reports. There was the Burgess report and then there was another audit done in January 2006, which showed that there was - again, reinforced the problem with regard to the conduct of the finances, the operations of the program. There had not been any audit at that stage done of students within the program, and yet the investigation group recommended that it not go to tender, so it continued to be operated by an organisation that was not registered.

Mr McCaffrey: Yes; statement of fact.

Hon PETER COLLIER: Just with regard to that, with regard to the tendering process, has DET done any investigation with regard to the tendering process involved with Balga Works?

Mr McCaffrey: Into the tender process?

Hon PETER COLLIER: Yes.

Mr McCaffrey: The subsequent one or the -

Hon PETER COLLIER: Sorry; I will just clarify what I meant. I wrote to the Auditor General with regard to this back on 4 December 2006. I received a response from Colin Murphy and he stated in part of his response -

Some other aspects of this tendering process -

With regard to Balga Works -

have been or are being investigated by DETWA, with oversight from the CCC.

Are you aware of any investigation that has been taken part in terms of the tendering process?

Mr McCaffrey: I was not aware of that, no. Well, I do not recall being aware of it, put it that way.

Hon PETER COLLIER: Is there anyone in the department that would be aware of that investigation, apart from yourself?

Mr McCaffrey: Perhaps the audit - our internal audit may have been. In all due respects, you are asking me whether I know about every intricate thing that happens within our department and honestly I do not get involved in a lot of those day-to-day operational activities, so I am just not able to clarify or agree with what you are saying.

Hon PETER COLLIER: No, I appreciate that, but it is just that in this instance, of course you -

Hon KEN TRAVERS: Can I make a point on that?

Hon PETER COLLIER: Yes.

Hon KEN TRAVERS: It would certainly help the committee, though, when those questions are asked - I accept that you are not always going to be in a position to know yourself, but if you could identify the process or who the person would be that would be responsible or the way the system is structured so that as to how those things would be picked up as we go along.

Mr McCaffrey: Yes, fair enough. A lot of the work and the investigation work was done through our district office, and I know you have spoken at length with Mr Garnaut. I do not know what questions you asked him or how he responded or whether he has been able to respond to you about that. If there was an investigation, I would have thought it would be either in that environment, it would be through our internal audit environment and, if the office of the Auditor General is involved as part of their annual audit of our affairs for our financial statements, they may have been involved, but I am not sure who else I could direct you to.

Hon HELEN MORTON: How long - the request for tender had a closing time of Thursday, 29 June. Can you say how long, because I cannot actually find the date that it was, say, advertised in the paper? How long would the tender process have been enabled to run before the closing date?

Mr McCaffrey: Oh, you mean on the evaluation side of it.

Hon HELEN MORTON: No, no.

Mr McCaffrey: It closed on 29 June.

Hon HELEN MORTON: No. If people had to submit - if the tenderers had to submit their proposals by 29 June, how long did they have?

Mr McCaffrey: When was it first advertised, do you mean?

Hon HELEN MORTON: Yes.

Mr McCaffrey: I do not know; I would have to check.

Hon HELEN MORTON: Usually? Around about a week or something - sorry, a month or something?

Mr McCaffrey: Usually, they have sufficient time to be able to put through a sensible proposal, I guess. It would depend, I think, on the nature of whatever the tender was. It can vary. Some are very easy, some are small, some are a bit longer. It depends how much information they require. I would have to go and find out when it was first posted is what, I think, you are asking me - when it was first posted.

[4.15 pm]

Hon HELEN MORTON: Yes, I would like that information. Can you say who covered for you while you were on sick leave between August and December '05?

Mr McCaffrey: Kevin Smith, who is the general manager of our shared services centre.

Hon HELEN MORTON: Who was the senior financial officer in the Swan district office during 2005-06?

Mr McCaffrey: In the period I was away, I thought that Gerry Borger, who did a lot of the financial analysis during '06 - he was in the district office, but whether he was the person who dealt with it in '05, I think Mr Garnaut would be able to tell you who that was, but I can certainly ask and find out if that is what you want. These questions will be in the *Hansard* anyway, won't they?

The CHAIRPERSON: Yes, you will receive them in the transcript.

Hon KEN TRAVERS: Just before I forget it, some time ago when we were talking about all the contracts and all the other bits and pieces, you made the comment that you had someone from the Crown Solicitor's Office in your office assisting with legal advice.

Mr McCaffrey: Yes.

Hon KEN TRAVERS: Was that someone that was actually physically seconded to come down and work on sorting out the Balga Works issues or -

Mr McCaffrey: No, it was an arrangement. Because we have so many, I guess, legal issues, the State Solicitor would place an officer in our department, usually for a 12-month period for experience, as a support to us as an agency, rather than us, because otherwise we need to communicate with the State Solicitor to ask for advice. It would be more effective, I guess, in a number of the matters, to have someone there to help us. It has been so successful that when they tried to change that arrangement, we now have a couple of people working in our legal area and we have a lawyer who is employed by us as the manager of legal services to continue that advice and that role.

Hon KEN TRAVERS: So that is the first point if people want advice. So all the stuff that we have been talking about today, if there were issues about contracts and the legalities, you would go to that Crown Solicitor officer to get advice and, obviously, if they needed more advice then they go and seek it from the CSO, or the State Solicitor as it is now.

Mr McCaffrey: It is certainly a resource that was there to aid anyone in the agency to deal with any legal matters. If it was too complex, then I think it was a lady at the time - because we have had a number of them - would refer it back and get more detailed advice.

The CHAIRPERSON: Mr McCaffrey, as the department was contributing to the funding of the education component of the Balga Works program, from your perspective did you consider that the department had a duty of care in relation to ensuring the education component was being delivered in a satisfactory manner?

Mr McCaffrey: I thought that is what this hearing was about; for you to make that judgement. I prefer not to comment. I mean, it is just a personal opinion. I do not know how to answer that. I cannot speak for the whole department in that regard. I do not think I should be expected to.

The CHAIRPERSON: Is there a contracts register maintained by the department?

Mr McCaffrey: Yes, there is. We are implementing a new contract management system. As I said, the Department of Treasury and Finance took over the contract management as such a couple of years ago. I am not aware of where that is up to, but there would be a register of all contracts. All the contracts have to be recorded anyway to go through our procurement system. Are you looking for something in that register that you would like me to check on? Is that the request?

The CHAIRPERSON: No, we are just checking the system, as it were. In regard to the department's determination to allow the program to continue in 2006, was any consideration given to the issue of unpaid wages when they were making that consideration?

Mr McCaffrey: I am not aware of there being a direct connection with the unpaid wages and it continuing. The issue about unpaid wages was brought to our attention in a number of ways. I have a particular view on where the responsibility sat for that, and that was the advice I gave to the minister's office at the time.

Hon KEN TRAVERS: Which was?

Mr McCaffrey: The school is responsible for paying every supplier that they engage to provide a service to their school, and if it is a bona fide supply of service and it can be validated as such, they have an obligation to pay.

The CHAIRPERSON: If I could refer to the Balga Works investigation reference group, which had a meeting on 21 February 2006, listed as a future action was that you were to check with Merv Hammond regarding the use of the P&C to contract services for the school. This was minuted in the minutes of that meeting. Did you do this and was there an outcome as a result of that?

Mr McCaffrey: I did go and have a couple of discussions with Mr Hammond. I actually went a little bit further than that in our discussions because I was more concerned about making sure that he understood where his responsibilities lay and where his authority ended. I think we talked about the appropriateness of him trying to get around our contractual arrangements by using the P&C association. It was not an instruction; it was a discussion to try and remind him that if he was not careful about following due process, then he would be putting himself at risk. That was the genesis of what we talked about. I cannot recall his exact words. He said, "No, no, I understand what I am allowed to do and, no, that's okay." So I did not go in and look into the P&C because I was not expecting that I should do that.

The CHAIRPERSON: Again, the same investigation reference group met on 7 March 2006 and in the minutes it is listed as a future action that you were to speak with Mr Fry, the president of

WACSSO regarding the P&C's involvement with receiving funds from other agencies for Balga Works. Can you remember whether you followed up on that one and what the outcome was?

Mr McCaffrey: I did actually try to follow up with Mr Fry. We did not connect on that occasion, so that was something - and I do not know whether it was minuted later - that I never got around to doing. I had had discussions with Mr Fry on other matters dealing with the roles of P&Cs but not Balga Works specific.

The CHAIRPERSON: I refer to the audit investigation report into the alleged discrepancies in the financial management of the Balga Works project at Balga Senior High School, which was dated 13 December 2005, by Allan Jones, corruption prevention risk management, together with assurance directorate, Department of Education and Training. In that report the IOD recommended that a number of questions be answered, including for example, is the second contractor, Hurson PL, a registered RTO, and the ABN currently used by Hurson Pty Ltd is in fact the ABN of a family trust and is the school aware of this. Are you aware of whether those questions were answered?

Mr McCaffrey: I cannot recall it being raised. It certainly was not the questions I was going to ask myself. I just assumed that would have been managed through the other part of the organisation.

The CHAIRPERSON: Do you know whether these questions were considered by the investigation reference group when considering whether to allow the program to continue in 2006?

Mr McCaffrey: I do not recall it being -

The CHAIRPERSON: You do not recall that, okay. Just a final question from me and then maybe the members have further questions. I refer to the funds that were made available from the department to meet the salary and contingency commitments of the Balga Works program in June 2006. How was it determined how much money was provided and who got paid? I might let you answer that one first.

Mr McCaffrey: Okay. Can I just ask a question? In June 2006 there was money given to the school - because I do not have record of any extra money going to the school in June 2006. There was some FTE conversion funding which was converted from staffing into contingencies, which did go out on 23 June 2006. Would that be the one that you are referring to?

Hon KEN TRAVERS: Do you know if that money that you are looking at was used or involved in a process of requiring persons to pay outstanding wages to people; if there were discussions as a result of complaints to the minister's office and elsewhere?

Mr McCaffrey: The money would have gone straight into the school funds. I mentioned earlier, part of the advice that I gave Mr Hammond and Mr Carton - and I think Gary Taylor was there, which would have been about that time - was that they had sufficient funds in their bank, and if these people were legitimately employed by persons in the name of the school and they are entitled to be paid, they should pay them. I gave them a commitment that we would then look at the school and have a look at how that impacted on the operations of the school - not just the program but the school - and that if additional funding was required to make sure that those operations continued effectively, then that would be a decision taken when it was investigated, and that is when I think it was around about September that that was determined, and that was when I referred to, last time I was here, about the \$400 000, I think it was, that went out to the school in September, but there was no money given to say, "I am giving it to you to pay those salaries." I was not aware of that, but it was certainly my opinion, and I gave that advice, that if it was due to be paid and these people had lives and commitments, they were entitled to be paid.

Hon KEN TRAVERS: When you talk about being paid and "they", are you talking about "they" being paid directly by the school or "they" being paid through -

Mr McCaffrey: The only payments that ever went to Hurson's or can go to Hurson's were through the school or the P&C.

Hon KEN TRAVERS: But could the school have paid those people personally -

Mr McCaffrey: No, they are not employees.

Hon KEN TRAVERS: - or would the school have had to pay Hurson's who would then pay?

Mr McCaffrey: The latter, because the people who were working on the Balga Works program were engaged by Hurson's, unless they were on the payroll of the department, which would be paid centrally or through the school salary pool, any other arrangement would need to be paid from the school directly to Hurson's as a contract payment, which in our language is a contingency cost as distinct from a salary cost, which is paid centrally. Does that help?

Hon KEN TRAVERS: It does, but I guess the committee has had evidence put to it that there was a rescue package put together, that there were a range of people that had not been paid, and then, as a result of that, money was provided to Hurson's to allow Hurson's to pay the staff that had not been paid their salaries. I guess what we are trying to find out is -

Mr McCaffrey: The timing.

Hon KEN TRAVERS: No so much the timing, but how did it come about, how was it determined and what was the role of the department in that and who in the department knew about it.

Mr McCaffrey: Again, the only payments that went out to the school - what I call as an operational adjustment, which encompasses everything - were on 13 September '06 and 9 November '06. I know that there were discussions about helping these people get paid, but a rescue package as such in a funding sense, from my understanding and our records, no extra money was given out.

Hon KEN TRAVERS: But there was a conversion of the salaries.

Mr McCaffrey: There was a conversion of FTEs over.

Hon KEN TRAVERS: Which would have allowed the school to then pay Hurson's additional money.

Mr McCaffrey: Yes.

Hon KEN TRAVERS: But do we know whether there were any conditions placed at the time that was paid to Hurson's that they would make sure that they paid that to their staff?

Mr McCaffrey: Well, I was at that discussion with Mr Hammond and Mr Hurson, and when we were talking about the outstanding invoices - because the issue from Hurson's, as I understood it, was that they had provided the service, they had provided the invoices to the school, the school was saying, "We don't have enough money to pay you", because the money that they were expecting from other sources had not materialised. My comment was, "You have got money in the bank. You really should pay them", but I asked Hurson's specifically to ensure that when those invoices were paid, priority would be given to the people to get a salary payment because they had commitments. When I left that meeting, I understood that that was what he was going to do.

Hon HELEN MORTON: Can you tell me what month that meeting was in, or around about?

[4.30 pm]

Mr McCaffrey: I would have to check my diary. It was around about that May-June period, I think.

Hon HELEN MORTON: In '06?

Mr McCaffrey: Yes.

Hon KEN TRAVERS: If you could check your diary about the exact date, that would be useful.

Mr McCaffrey: Yes.

Hon KEN TRAVERS: So it was never a formal condition but there was a request made of Hurson's that if they were given additional funding they would make that a priority of paying outstanding wages of their staff.

Mr McCaffrey: Yes, that was my understanding of our discussion.

Hon KEN TRAVERS: Do you know if there was ever any follow-up or mechanisms put in place to ensure that that occurred, or to determine who and how people were paid?

Mr McCaffrey: Mr Hammond was going to follow that through. I guess from my perspective when - well, I did not get any more people contacting me saying they had not been paid. There may have been some queries, I think, that came up about the amount that people were entitled to be paid but that was something that was between Hurson's and the employee at the time. But apart from that, it is my understanding that all the people that were owed money were receiving those funds.

Hon KEN TRAVERS: So do you know how the amount was determined between the school and Hurson's as to how much would be paid over to Hurson's following that conversion?

Mr McCaffrey: It was by invoice.

Hon KEN TRAVERS: By invoice?

Mr McCaffrey: By invoice.

Hon KEN TRAVERS: So whatever the invoice was, that was what was paid, or was the amount negotiated some?

Mr McCaffrey: I have no idea. There were a number of invoices where they had a schedule of people's names of when they worked and if they were deemed to be at the school and the school was responsible for getting enrolments from Hurson's to make sure that those students were what they were claiming for. So Mr Hammond's responsibility was to make sure that they were valid invoices; and if they were valid invoices, my advice was they should be paid.

Hon KEN TRAVERS: And that would have been based on staff being on the premises or would it have been based on the number of students that were attending?

Mr McCaffrey: Well, the invoices that I saw, they had a list of the students and then the entitlements of the individuals - I do not know whether I saw that list but I know it has been referred to - of how much they were owed and it may have been something that the minister's office collected; I am not sure. I cannot recall, but that was how I understood it.

Hon PETER COLLIER: Who did you converse with at the minister's office; do you recall?

Mr McCaffrey: I think Daron Smith was the gentleman who was trying to field all the questions and inquiries.

Hon PETER COLLIER: And were the complaints from the minister's office coming direct to you, Mr McCaffrey?

Mr McCaffrey: No, not to me directly. I think there were some phone calls or discussions saying, "Well, can't we do something for these people?" and my advice was they are not our employees; we can't pay them here, nor we should. It needed to be on the basis of bona fide invoices that Hurson's should raise with the school, as I have described earlier.

Hon PETER COLLIER: Given the extent of the complaints, though, did it go any further? Was there any further investigation from the department as in it was not just handballed up to the school?

Mr McCaffrey: Well, again, not from me. But whether other parts of the agency, because, you know, Mr Garnaut and Mr Borger were regularly dealing with the school, as was their responsibilities. I cannot comment on how those conversations went.

Hon PETER COLLIER: No, but I mean if there were, say, some complaints going to the district director, some going to the minister's office, some going direct to DET at "Silver City", ideally if everyone is just shunting them straight back to the school, is there any way that there was any, you know, central component in terms of the complaints?

Mr McCaffrey: Not that I know of. As I say, the purpose of why I went out to talk to those gentlemen was to make sure the invoices got paid; and that is how I saw that that would be addressed. I am not sure. The minister's office was getting a number of complaints. I think there were some, obviously, members of Parliament who were writing in as well. There was a lot of - and there were individuals writing to the minister's office, so -

Hon PETER COLLIER: And then would the department write back to the minister's office to confirm the follow-up?

Mr McCaffrey: I certainly would not, because the expectation was that those people would be paid and they had a relationship with Hurson's. Again, whether Mr Smith followed up with the people, I do not know, because I was not in the minister's office.

Hon KEN TRAVERS: I just want to make sure I have got it clear in my own head. So, it was DET at that time or the department from the department's point of view and to the best of your knowledge the only thing the department ever did was to ensure that the invoices from Hurson's were accurate and then pay out based on those invoices for services provided.

Mr McCaffrey: Yes, that is the expectation on the principal.

Hon KEN TRAVERS: Right.

Mr McCaffrey: And his deputies or whoever else was involved in it.

Hon KEN TRAVERS: So that was the first thing. That was the only thing anyone in the department ever focused on, to the best of your knowledge.

Mr McCaffrey: No, you keep saying "the department"; it is what I focused on.

Hon KEN TRAVERS: Yes, but to the best of your knowledge that is the only thing the department focused on or are you aware of people in the department that focused on other factors?

Mr McCaffrey: I am very sure that Mr Garnaut and people in his office were actively involved in working with the school. I do not know what they did or when they did it but I know there were people working with the school right through this whole ordeal, particularly when it became apparent that the program had to close; and that was, I am trying to remember now, but up until October. I think it was about October or November when it finally shut down, I think.

Hon KEN TRAVERS: So who would have been the officer that was required to authorise the incurring of that expenditure? Was that the principal; and would that be required that if anyone else co-signed that that it was authorised or would it have been purely the principal to sign that the invoices were -

Mr McCaffrey: Well, the process is there is an incurring officer and a certifying officer.

Hon KEN TRAVERS: Yes.

Mr McCaffrey: So the incurring officer, again, is meant to make sure that the content of the invoices and the supports support the invoice, and as the final authority in the school to make payments is the principal.

Hon KEN TRAVERS: And at that time was there any concern about what was going on with the whole process of Hurson's?

Mr McCaffrey: Absolutely.

Hon KEN TRAVERS: Was there any follow-up internal audit done at that particular time to check that any invoices that were paid were valid other than by the principal?

Mr McCaffrey: The internal audit had been involved at a number of points, but at what points I do not know the exact dates.

Hon KEN TRAVERS: Would you be able to check the records? I am particularly interested in payments made to Hurson's around the end of June, any time in June 2006.

Hon PETER COLLIER: That would be nice.

Mr McCaffrey: So, who actually authorised the payment of the invoices is what you -

Hon KEN TRAVERS: Yes.

Mr McCaffrey: And did anyone check on it?

Hon KEN TRAVERS: Yes, and whether anyone else did any sort of confirmation that the invoices, you know -

Mr McCaffrey: Stacked up.

Hon KEN TRAVERS: That the services that had been provided had actually been provided.

Mr McCaffrey: Mmm.

Hon KEN TRAVERS: And the only thing you are aware of in terms of a requirement placed on Hurson's to pay the staff. You indicated earlier that you made it a request, but are you aware of anybody else making it a condition or putting in place any other mechanism for ensuring the person -

Mr McCaffrey: Mr Garnaut may well have as part of his ongoing work with the school.

Hon KEN TRAVERS: But you are not, from your knowledge you are not aware of any other?

Mr McCaffrey: No. To be quite frank, apart from attending those earlier meetings, once I was asked to authorise the extra payments I really did not have any discussions with the school at all; and except for those couple of occasions when I did talk to Mr Hammond, and I chose to go out there personally, because I have known him for many, many years and I was concerned that he may be putting himself at risk, and I hoped that he would listen to me, and it appears in some cases he chose not to, unfortunately.

Hon HELEN MORTON: Can I just ask: how long were you acting director general for the Department of Education and Training in '06?

Mr McCaffrey: I am sorry, when?

Hon HELEN MORTON: In '06.

Mr McCaffrey: When was I acting?

Hon HELEN MORTON: Yes, did you act as director general?

Mr McCaffrey: I did on a couple of occasions, I think, when Mr Albert went on leave or he went overseas. They generally were not long periods; maybe two weeks at a time, maybe three or four weeks at a time. It is something that is relevant, is it?

Hon HELEN MORTON: Well, some of this correspondence around the tendering process occurred when you were acting -

Mr McCaffrey: Acting as director general.

Hon HELEN MORTON: - chief executive officer or director general. I am just interested in some of your responses along the lines that you knew what you knew but you did not know what anybody else was doing or what anyone else was involved in in regards to this.

Mr McCaffrey: Whilst I was director general, you are saying?

Hon HELEN MORTON: Well, at any time. I am making an assumption that you were part of a senior management team of the Department of Education and Training so much so that at periods of time while Paul Albert was away you acted as the director general.

Mr McCaffrey: Mmm.

Hon HELEN MORTON: And as such are you saying that the issue of Balga Works was never discussed generally at any level of that management team?

Mr McCaffrey: In our executive?

Hon HELEN MORTON: Yes.

Mr McCaffrey: Well, I am sure it was discussed. It was an operational issue that the district office was managing. I cannot recall specific conversations apart from the concerns about what was happening and what the implications would be if the program had to close; and the implications if the program continued because of all the problems. I am not suggesting for one minute that I do not know anything that goes on, but I did try and point out that it is a huge organisation and if those letters that you are referring to I was acting as the director general, over the two weeks when I have been doing the job I could not count the numbers of letters that you are required to sign off as the head of the agency; and unless you see something that looks untoward, you have to rely on your executives underneath you to give you good advice.

Hon HELEN MORTON: My only point of raising those letters was to indicate that I was aware that you worked at a very senior level and must therefore be part of a management team, of an executive team, that would have basically discussed the issues around Balga Works; and my expectation is that the whole team would have had an understanding. But can I just go on a little bit further and say that something else that I understood from what was just said is that some time in September or November of '06 you approved the use of operational funds.

Mr McCaffrey: We made an operational adjustment, which was in recognition that the school had to use their other funds which was for this cohort to prop up the program and that was the adjustments that were made, to make sure the school was viable.

Hon HELEN MORTON: So that in essence is knowing that there are extra funds being made to Balga Works program?

Mr McCaffrey: Yes. Well, I was not aware that I suggested otherwise.

Hon HELEN MORTON: No, that is fine. I was just aware that that means as late as September or November '06 - is that when it was happening?

Mr McCaffrey: Yes.

Hon HELEN MORTON: - that the school and Merv Hammond, as the principal, was getting a level of indication of support from the education department for the program in both additional funding to keep it going and from yourself personally, who works at a very senior level in the department.

Mr McCaffrey: I saw it differently than what you just tried to describe. I saw it as not supporting Mr Hammond and what he had been doing. I saw it as supporting the school and the students in the school, no matter whether they were in the program at Balga Works or not. The additional funding that was provided to the Balga Works program was to allow it to continue so it could be phased down until placements could be found for the students that were there. I am sorry, I saw it quite differently than what you have tried to describe. I was not supporting Mr Hammond or saying that his program was something that should be supported into the future, if that is what you are implying.

Hon HELEN MORTON: I am not saying I am implying anything. I am just stating the fact that extra funds were provided.

Mr McCaffrey: I agree.

Hon HELEN MORTON: And provided by you in the form of a personal conversation with the principal, Mr Hammond, at that time.
[4.45 pm]

Mr McCaffrey: With due respect, I spoke to him earlier than that. This happened in September - between September and November when the decision had been made to close the program and that there was still some accounts that were outstanding that had to be paid and it was necessary to support the school to make sure they had sufficient funds to continue for the rest of the year for the other students, because it was getting perilously close because they had used their bank account funds to pay these other accounts.

Hon HELEN MORTON: And at any time in that time did you say to Merv Hammond this program is not working well and we need to stop it and whatever?

Mr McCaffrey: I never had that conversation with Mr Hammond. That was dealt with through Mr Garnaut and the district office.

Hon HELEN MORTON: Just with regard to that Mr McCaffrey, executive DET - how often do they meet?

Mr McCaffrey: Fortnightly.

Hon PETER COLLIER: And who is on that? Who is on the executive committee?

Mr McCaffrey: Executive directors -

Hon PETER COLLIER: Sorry?

Mr McCaffrey: Executive directors, deputy director generals as we have them now, but in those days I think there was one deputy director general and, of course, the director general.

Hon PETER COLLIER: And do you recall - following on from what Helen was saying - do you recall Balga Works being discussed at that level?

Mr McCaffrey: If you are asking when or how, no. But I am sure it was discussed at points in time and I was in, I am sure, one of the meetings with the minister's office where it was raised probably in the context of the payment of the people who were not getting paid. So, yes, it had been discussed at the highest level. Again, it was being managed through the executive director which, I think, you will find is Mr Newton and Mr Garnaut as part of their school operation responsibilities.

Hon PETER COLLIER: I presume minutes are taken of those meetings.

Mr McCaffrey: Yes, there are meetings taken of those meetings.

Hon KEN TRAVERS: I just have a couple of questions. Within the education department, who can sign purchase orders?

Mr McCaffrey: Who can sign - sorry?

Hon KEN TRAVERS: Purchase orders.

Mr McCaffrey: A variety - many people.

Hon KEN TRAVERS: Within a school environment who is normally authorised to sign purchase orders?

Mr McCaffrey: Depends on the school. If we are talking secondary here -

Hon KEN TRAVERS: Yes. Using Balga Senior High School as an example, would it have been a lot of people or just -

Mr McCaffrey: Yes. I think most of the bigger schools have a delegated responsibility down to cost centre managers and they would typically be a head of department, perhaps. Certainly, the registrar would be involved, the deputies. Depends on the control mechanism -

Hon KEN TRAVERS: Would they always need to be a departmental employee?

Mr McCaffrey: Absolutely. I would have thought. Sorry, I would expect so.

Hon KEN TRAVERS: Are you aware whether - you may not be able to answer this, but you might take it on notice - are you aware of whether Mr Carton was ever authorised to sign purchase orders?

Mr McCaffrey: For the department?

Hon KEN TRAVERS: Yes.

Mr McCaffrey: I could not see how he possibly could be.

Hon KEN TRAVERS: Are you aware of whether he has ever signed a purchase order or claimed to or presented a purchase order that he has signed?

Mr McCaffrey: I have no idea, but I suspect he may have from the tone of your question.

Hon KEN TRAVERS: Right. I am just asking whether you are aware of it.

Mr McCaffrey: I did not know - no.

Hon KEN TRAVERS: Could you have a look for us - could you tell us what other - is there any sort of process in place to ensure the security of purchase orders and follow up to make sure that purchase orders are acquitted post the event?

Mr McCaffrey: All those processes are documented within our financial management of schools manual. It is meant to be a feature of all the financial affairs within a school, no matter whether it is secondary or primary or whatever. So, yes, they are meant to keep records. They are meant to keep crosschecks with any payments they make on those and that is what is audited.

Hon KEN TRAVERS: To your knowledge, are you aware of whether there has ever been any complaints lodged with the department about purchase orders being signed by Mr Carton that were signed or claims made against the department based on a purchase order signed by Mr Carton? If you do not know -

Mr McCaffrey: Not that I can recall. No, not personally - no.

Hon KEN TRAVERS: Would you be able to chase up for us whether or not that is -

Mr McCaffrey: Whether there has been a complaint?

Hon KEN TRAVERS: Yes, within the department about - or a claim on the department for payment as a response to a purchase order that was signed, purported to have been signed by Mr Carton.

Mr McCaffrey: I will try. I am not too sure where I would go and look. It may have come through correspondence, you know. I could check that. All those payments are dealt with, as I said, at the school level, so -

Hon KEN TRAVERS: And I guess my final point - I think I should be okay in doing this. If I was to give three purchase orders and ask if they could chase up - if I was to give you three purchase order numbers, if you could chase up what the department records show what they were issued for -

Mr McCaffrey: And issued at the school - is that what are you saying?

Hon KEN TRAVERS: Yes. And it is 3985336, 337 and 338. The 3985 is the same number.

Mr McCaffrey: It is quite possible if it has been raised as a concern that the district office may have been asked to look at that, they may be aware of that. So - but I will check it out.

Hon PETER COLLIER: Mr McCaffrey, just with regards to the accommodation component, it was made quite clear that the DET would not finance the accommodation component of Balga Works - is that right?

Mr McCaffrey: It was something that was managed, I think, through the P&C and the Department of Community Development, as it was, and other sources of funds.

Hon PETER COLLIER: Yes, but DET never contributed?

Mr McCaffrey: We were not meant to contribute to anything apart from providing educational programs for students.

Hon PETER COLLIER: Okay. With regard - a question that Hon Simon O'Brien asked the minister for education on 5 April 2006 with regard to accommodation - that is, it is a fairly comprehensive question asking how many students and supervising staff are in residence with regards to the accommodation component, rental, salaries etc. It went to the department and got quite a comprehensive response back - that is, exact numbers. The department had - was privy to those details. Have you any idea where they would have got those details from?

Mr McCaffrey: I have no idea. I would expect they would have gone to the school and asked them.

Hon PETER COLLIER: It is just that that was in April 2006. On a briefing note from the acting director general on 22 December 2006 part of it claims -

The Department is of the view that there a potential liability by Hurson Pty Ltd to the Department of \$245 631. This is comprised of funds provided by the school in relation to the Joondalup accommodation component of the Balga Works Program, travel expenses paid by the school on behalf of Hurson's staff, assets purchased for the use of Hurson Pty Ltd in non-school components of the program and the purchase of a bus subsequently registered in the name of Hurson Pty Ltd without due transfer of funds.

In short, sorry, what it is saying is that the department is of the belief that at least part of those funds is due from Hurson to the department because of funds that the school paid to the accommodation component. Were you aware or have you ever been aware of the fact the school was paying part of the accommodation component of the program?

Mr McCaffrey: No, I was not. And I would not expect them to do that.

Hon PETER COLLIER: I just wonder where that - who would have given the acting director general that information?

Mr McCaffrey: Again, if it was information held at the school, if it was asked of me, I would immediately go to the school and ask them, unless it came up in audit report or it came up as part of some of the investigations that were going on when the police were involved. So, I guess that is where I would go.

Hon PETER COLLIER: So as far as you are concerned though, you are not aware of any funds that were directed to the accommodation component.

Mr McCaffrey: I answered the question and said they should never have given funds. I was not aware of those funds transferring. As far as I know, no school funds went to the accommodation in a bona fide way. If they did - I am not sure whether someone has mentioned to me, but I do not recall it specifically being raised with me. I am just not - it rings a bell, but I may be getting influenced by something I have been told as part of my discussions with the police when they rang to ask me a number of questions along the same lines as you are asking me. It is a hard one to answer, I am sorry.

Hon PETER COLLIER: It is; no, that is fine.

Hon KEN TRAVERS: One last set of questions about Mr Carton, or when you met with Mr Carton. I think you said you had a meeting with him at one point when he was in attendance out at the school.

Mr McCaffrey: Yes.

Hon KEN TRAVERS: In what capacity did he present himself in terms of representing Hurson? Do you recall?

Mr McCaffrey: Well, I think in the context that he was responsible for engaging the people to run the program.

Hon KEN TRAVERS: Did he ever present as the person that was in day-to-day control of Hurson or as a director of Hurson?

Mr McCaffrey: I do not recall it being discussed at that occasion.

The CHAIRPERSON: Mr McCaffrey, thank you very much for your time this afternoon. We appreciate it.

Hearing concluded at 4.54 pm