

VICTORIA

Auditor-General
of Victoria

SPECIAL REPORT No. 49

**METROPOLITAN
AMBULANCE SERVICE**

**Contractual and
outsourcing practices**

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The President

The Speaker

Parliament House

Melbourne Vic. 3002

Sir

Under the provisions of section 16 of the *Audit Act* 1994, I transmit the Auditor-General's Special Report No. 49, "*Metropolitan Ambulance Service: Contractual and outsourcing practices*".

Yours faithfully

C.A. BARAGWANATH
Auditor-General

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Foreword

This Report raises many concerns about the probity of contractual and outsourcing arrangements at the Metropolitan Ambulance Service over the period April 1993 to March 1995.

The Report illustrates that former senior management at the Service throughout this period showed a total disregard for the Government's outsourcing guidelines and normal tendering processes as reform goals were swiftly pursued. I regard the circumstances as so serious and involving so many unanswered questions that I feel they are likely to require investigation by a judicial inquiry.

I must emphasise that nothing in this Report should be viewed as reflecting adversely on the calibre of the current management of the Metropolitan Ambulance Service or on the quality of the organisation's vital services rendered to the community. I consider the strategic direction of the current chief executive officer to be positive.

Similarly, the Report should not be regarded in any way as questioning the integrity of Intergraph or the performance of that corporation's communications systems.

In the Foreword to my May 1994 Special Report No 31. on *Purchasing Practices*, I indicated that:

"The various checks and balances in the public accountability process may be costly to administer and may, as some would argue, be a bureaucratic hindrance in the effective management of a function such as purchasing, but they are designed to protect a Government's reputation and the interest of the public at large".

In November 1996, the Governor-General, His Excellency Sir William Deane, in an address to the National Conference of the Australian Institute of Public Administration, stated:

"Incorruptibility, accountability and fairness may seem high-sounding words. They are, however, basic values underlying public administration in any truly democratic community. They are in no way inconsistent with the processes of desirable change or the search for greater efficiency".

I consider the matters addressed in this Report strongly reinforce the relevance of my 1994 comment and the view expressed by the Governor-General.

C.A. BARAGWANATH
Auditor-General

Part 1

Executive summary

NEED FOR EARLY REPORT TO PARLIAMENT

1.1 In March 1996 following consultation with the Public Accounts and Estimates Committee, I approved the inclusion in my Office's 1996-97 performance audit program of a performance audit of the delivery of ambulance services throughout Victoria. Particular emphasis during the audit was to be placed on the operations of the Metropolitan Ambulance Service (the Service), given its comparative significance to the State's regional ambulance services and the extent of recent reforms to its activities.

1.2 Subsequently in May 1996, the Minister requested that my Office carry out a wide-ranging performance audit of the Metropolitan Ambulance Service "... *in the context of significant changes which have occurred over the last 2 to 3 years including extensive outsourcing, significant budgetary pressures and an ongoing decline in revenue arising from subscriptions*". Audit was informed by the Service's current chief executive officer that, following his assessment of the situation at the Service, he had earlier advised the Minister of his concerns in a number of areas.

1.3 My Report covering the findings of the detailed performance audit of the State's ambulance services is currently scheduled for tabling in the Parliament during the Spring session of 1997. The findings of a related audit dealing with the implementation of a Statewide emergency services dispatch system under the management of the Bureau of Emergency Services Telecommunications within the Department of Justice are also planned for reporting to the Parliament at the same time. An analysis of the operating and financial arrangements between the provider of Statewide emergency communications services and the State's emergency service organisations was provided to the Parliament in my October 1995 Report on the Government's Statement of Financial Operations, 1994-95.

1.4 I have decided to present this Report to the Parliament in advance of the more detailed report at the conclusion of the audit. This decision has been taken to inform the Parliament as early as possible of what I consider to be extremely serious matters identified during the course of the performance audit. These matters concern consultancy and outsourcing contracts entered into by the Service between April 1993 and March 1995. During this period, Mr J. Firman occupied the position of chief executive officer of the Service and Mr J. Perrins was the Government's appointed administrator.

SERIOUS DEFICIENCIES IN CONTRACT MANAGEMENT

1.5 Serious deficiencies in contract management between April 1993 and March 1995 were identified by audit in relation to the following major consultancy and outsourcing arrangements entered into by the Service:

- engagement of Griffiths Consulting Pty Ltd to provide numerous consultancies encompassing the total management of several tender arrangements and of contracts subsequently entered into with appointed tenderers (**actual cost: \$1.5 million**);
- management of tendering processes by Henderson Consultants for a new computerised ambulance dispatch system and for the sub-contracting by the Service of certain non-emergency services (**actual cost: \$216 000**);
- the awarding of the contract relating to the outsourcing of a new computerised communications system in March 1994 to Intergraph Corporation Pty Ltd (**initial cost: \$7.5 million over 4 years**);
- the outsourcing of the operation of new financial and management information systems and the Service's subscription system under which a contract was ultimately awarded to Emergency Services Pty Ltd, a company established by the chartered accounting firm Arthur Andersen (**current cost estimate of approximately \$15 million over 4 years**);
- the outsourcing of the management and maintenance of the Service's ambulances and other vehicles leading to a contract let to JMJ Fleet Management Pty Ltd (**estimated cost of approximately \$2 million a year**); and
- the sub-contracting of particular non-emergency ambulance services to 4 separate companies (**estimated cost of approximately \$6 million a year**).

1.6 The breadth and consistency of these deficiencies were such that it would be an oversimplification to suggest that they all could be solely attributed to managerial incompetence. A continual hands-off approach by the management of the Service showed a total disregard for the Government's outsourcing guidelines and repeated concerns raised in the Parliament regarding the Service's operations. In effect, management created an environment which enabled the consultancy firms to reap significant financial benefits without challenge. In the case of Griffiths Consulting Pty Ltd, an initial arrangement for \$45 000, without a tender and contract, was continuously expanded as a result of the advantage gained from the initial arrangement. Total payments to the firm eventually amounted to over \$1.5 million.

1.7 Estimated savings of \$20 million envisaged by the Service to be achieved over a 4 year period from the outsourcing arrangements have not eventuated and are unlikely to ever be achieved. Furthermore, the Service's current chief executive officer is now faced with a major and resource-demanding task of achieving satisfactory performance from the outsourced arrangements.

.....

1.8 Questions concerning the integrity of former senior management of the Service in relation to the consultancy and outsourcing arrangements are reinforced by the fact that, **in virtually all of the arrangements referred to above**, key documentation supporting critical management decisions could not be produced by the Service for audit examination.

1.9 It is also apparent that there was inadequate assessment by the Department of Human Services (then the Department of Health and Community Services) of risk from the Government's viewpoint in terms of the reliance which could be placed on contract management at the Service during the period covered by this Report.

1.10 Shortly after a summary of draft audit findings was provided to the Service's current chief executive officer and the Department, the Minister announced in Parliament that the Victoria Police had been asked to investigate the matters raised by audit. The Minister has also engaged senior counsel to advise whether there appears to be grounds for either the Secretary of the Department of Human Services or the Service to commence action to recover moneys paid to any person or consulting company engaged by the Service during the period 1993 to 1995.

1.11 While recognising the actions initiated by the Minister, the absence of key documentation encountered during the audit is likely to be a significant impediment in the proposed police investigation. If at the conclusion of the Police investigation, such proves to be the case, I consider the matters raised in this Report should be investigated in a forum where witnesses are required to give evidence under oath. Such a course of action could determine whether the various contractual arrangements at the Service were carried out in a manner which, at best, involved serious mismanagement or, at worst, constituted corrupt activity. An inquiry of this nature may also be necessary to identify and investigate all inter-relationships between the various parties referred to in this Report as well as to determine if any inappropriate financial benefits or other benefits in kind accrued to any party from such inter-relationships.

1.12 The range of highly dubious practices followed in the past management of these consultancy and outsourcing arrangements included:

- Salary payments to both Mr J. Firman as chief executive officer and Mr D. Cameron, a current Service employee who was responsible at the time for managing the consultancy arrangements, to Mr Firman's private company, Pinelow Pty Ltd, which, in addition to raising questions on the relationship between the 2 parties, constituted a practice with potentially serious taxation implications for the Service;
- Appointment without tender of a private company which, according to advice received from the Service's administrator, had previous commercial associations with Mr Firman. Payments of \$440 000 for assisting in change management within the Service and providing related training and development activities were paid to this company;



- Serious deficiencies in relation to the Service’s development and implementation of its new computerised communication systems including:
 - acceptance by Mr Firman of the needs analysis submitted by Henderson Consultants despite the fact that he voiced major reservations as to the quality of such analysis;
 - utilisation by the Service of system specifications which, despite their critical importance, were hurriedly developed and had been assessed by the Service’s then manager of information systems as containing major shortcomings;
 - the absence of documentary evidence to substantiate how the 34 registrations of interest were short-listed to 4 potential suppliers invited to submit tenders;
 - the inability of the Service to produce critical information to support the evaluation of tenders and selection of Intergraph as the preferred supplier, raising doubts as to the integrity of the tender process; and
 - a failure by Mr Firman to adequately satisfy a key condition set by the Government that the Service’s new outsourced call and dispatch system be capable of integration into the planned Statewide emergency communications system, irrespective of the eventual supplier.
- The failure to observe acceptable standards for the engagement of Griffiths Consulting and Henderson Consultants in that:
 - with the exception of 3 cases, tenders were not sought for the services provided by these firms;
 - there was no evidence to indicate that consideration was given to ensuring that conflicts of interest did not arise from a previous working relationship between Mr Firman and Griffiths Consulting at the Melbourne Water Corporation;
 - retrospective approvals were freely granted by management for payments involving prior services purported to have been rendered by consultants;
 - the Service neglected to arrange formal agreements outlining key facets of the arrangements including the roles and responsibilities of the consultants; and
 - there was no evidence to indicate that the technical competency of these firms or their professional standing had been investigated prior to appointment;

- Of a total of 9 arrangements involving Griffiths Consulting, tenders were sought in only 2 cases and it was a fait accompli that Griffiths Consulting would be appointed because of irregularities in the tender process and a clear indication of bias in that:
 - in the first instance, Griffiths Consulting was given an unfair advantage over other tenderers as the brief calling for tenders was a reproduction of information previously submitted by Griffiths Consulting and tenderers were asked to respond by return mail; and
 - in the second instance, Griffiths Consulting had already commenced work prior to the calling of tenders by the Service;
- A completely free hand given to consultants through total delegation of responsibility without any evidence of scrutiny or assessment of their performance by the Service;
- Payments to Griffiths Consulting of \$770 000 over initial approved budgets and claimed out-of-pocket and other reimbursed expenses of \$38 000 without evaluation of the underlying basis of amounts invoiced to the Service;
- The absence of evidence of cost-benefit analyses to support the decision to enter into long-term contracts with private sector providers for certain non-emergency services;
- The existence of a conflict of interest in that a Service employee, Mr W. Wood, who, while involved in the tendering process for the contracting-out of non-emergency services, acted as a guarantor for loans raised by a company subsequently awarded a contract to provide certain of these services; and
- The selection by Griffiths Consulting, acting on behalf of the Service, of the successful tenderer for outsourcing of the subscriptions system prior to the date set for final presentations by other tenderers.

1.13 Of particular concern were the arrangements with Griffiths Consulting and Henderson Consultants to provide the Service with advice and guidance on outsourcing agreements. In practice, former management of the Service gave virtual control to these firms for the key roles of identifying outsourcing opportunities, selecting the suppliers of services, subsequent contract negotiation and monitoring the implementation of contracts.

1.14 Despite this delegation, there was extremely limited documentation available at the Service to support the findings and recommendations of these consultants. In many instances, audit was advised by Mr Cameron that key documentation to substantiate the conclusions reached by the consultants was unable to be located.

1.15 Because of the absence of this important documentation, audit was unable to fully evaluate the soundness of recommendations made by the consultants. However, given the major shortcomings now identified in the management of the outsourcing arrangements and the failure to achieve the projected savings of \$20 million, the quality of advice provided by these firms to the Service must be questioned.



1.16 Given the widespread extent of deficiencies, audit concluded that former senior management of the Service were derelict in the discharge of their fundamental responsibility to maintain control over these significant consultancy and outsourcing arrangements.

ROLE OF THE ADMINISTRATOR

1.17 Mr J. Perrins, a partner with the chartered accounting and business advisory firm, Price Waterhouse, was appointed as the administrator of the Service by the former Minister for Health in April 1993, at the same time as Mr Firman was appointed as the chief executive officer of the Service. Mr Perrins' term of office ended on 27 January 1997 following the establishment of a new committee of management for the Service.

1.18 Audit accepts that an administrator cannot be expected to monitor all activities and should be able to rely upon employees to perform their duties diligently and honestly. However, an administrator should be vigilant in the conduct of the role which extends beyond the passive acceptance of information and should exercise a degree of inquisitiveness where circumstances warrant further explanation. Given the extent to which concerns about the Service had been raised repeatedly in Parliament and the Government's view of the seriousness of the position leading to replacement of the committee of management with an administrator, audit considers that there were grounds for the administrator to have assumed a more pro-active stance during the period.

1.19 The community has high expectations of public sector boards of management in terms of quality performance and matters of probity and accountability. Given these expectations, it is considered that the administrator had a specific obligation to ensure that adequate and reliable information on which to base major decisions was provided at all times.

IMPACT OF DEFICIENCIES IN CONTRACT MANAGEMENT

1.20 An important reason for the Service entering into outsourcing arrangements was to generate cost savings in response to concerns of the Government over the level of government contributions to the Service and its ongoing financial viability.

1.21 As mentioned in an earlier paragraph, cost savings estimated at \$20 million over 4 years expected to be derived from the outsourcing activities entered into between April 1993 and March 1995 have not eventuated. In fact, it is clear from the audit examination that few, if any, financial benefits have arisen from the arrangements entered into at the Service during this period.

1.22 While several initiatives, such as provision of additional emergency ambulances and MICA-qualified paramedics, have been taken by current management to enhance the quality of services, further funding has been necessary to meet the costs associated with these initiatives due to the fact that the expected cost savings identified by the Service's previous management have not materialised.

1.23 There has been in effect a continuing escalation in the level of the Service's aggregate expenditure and, as a consequence, of the necessary financial contributions by government to the Service, an outcome completely opposite to that intended by the Government.

1.24 The deficiencies in managing outsourcing arrangements entered into during the term of the previous chief executive officer have continued to adversely impact on the current operations of the Service and consume substantial time and resources of current management in attempting to achieve satisfactory performance from the outsourced systems.

CURRENT INITIATIVES TO ADDRESS PAST CONTRACT MANAGEMENT DEFICIENCIES

1.25 It is appropriate for audit to recognise in this Report that the Service's current chief executive officer has initiated a range of actions aimed at improving the effectiveness of the Service's contract management including:

- establishment of a contracts management department;
- recruitment to this new department of personnel experienced in contract administration;
- creation of a contracts register;
- development and adoption of a *Contracts Administration Manual* outlining policies and procedures for all aspects of contract management;
- allocation of a supervisor for each contract managed by the Service;
- progressive formulation of performance criteria for all contracts;
- introduction of a formal system of delegations;
- establishment of a requirement (to accord with a longstanding government policy) for all senior management to submit pecuniary interest statements; and
- implementation of a records management system.

1.26 In addition, the Department of Human Services has introduced more stringent accountability arrangements for the Service including a requirement for all tenders greater than \$100 000 to be approved by the Department's Accredited Purchasing Unit.

1.27 While the strategic direction of the current chief executive officer is viewed by audit as positive, an assessment of the effectiveness of the current management strategies relating to contract management and outsourcing activities will form part of the detailed performance audit of the Service.

SPECIALIST ASSISTANCE

1.28 Specialist advice was provided to audit by Mr G. Schomburgk of Lane Telecommunications Pty Ltd. The advice covered the following areas relating to the procurement of the new communications system by the Service:

- review of the needs analysis in respect of the communications system to ensure conclusions and recommendations were substantiated by adequate technical analysis;
- evaluation of the technical soundness and adequacy of specifications supplied to the tendering firms; and
- assessment of the tender evaluation process.

1.29 Legal advice was provided to audit by Mr R. Beazley, Victorian Government Solicitor, on matters relating to liaison with parties, other than representatives of audited agencies, referred to in this Report.

□ *RESPONSE provided by Chief Executive Officer, Metropolitan Ambulance Service*

The Auditor-General has identified serious issues and shortcomings associated with several major contracts undertaken by the Metropolitan Ambulance Service in the period 1993-95. It is noted that the report deals with process issues only.

A new management team has been in place since May 1995 and has introduced a number of initiatives which exhibit good process and integrity in all aspects of contracts management. Further, the operational performance of the Service has significantly improved, together with its ability to deliver within budget parameters.

The following steps have progressively been introduced since May 1996, and provide a basis upon which the community can have complete confidence in the management of its ambulance service. Key initiatives which focus on contract management and deal with potential conflict of interest issues include:

- (i) Establishment of a Contracts Management department.*
- (ii) Recruitment of personnel experienced in contract administration.*
- (iii) Creation of a Contracts register.*
- (iv) Development and adoption of a Contracts Administration manual.*
- (v) Allocation of an experienced supervisor for each contract managed by the Service.*
- (vi) Progressive formulation of performance criteria for all contracts.*
- (vii) Introduction of a formal system of delegations.*
- (viii) Establishment of a protocol for all senior management to submit Pecuniary Interest statements.*
- (ix) Implementation of a Records Management system.*
- (x) Adoption of all relevant Government guidelines with respect to tendering and contract management.*

□ **RESPONSE** provided by Chief Executive Officer, Metropolitan Ambulance Service - continued

With these initiatives in place and the recent introduction of a highly skilled Committee of Management to oversee the development of policy, planning and the systemic validation of performance, the public can be assured that the problems of the past will not be allowed to recur.

Further, the strategic direction of the MAS is aimed toward improved performance and offering the community enhanced value for its investment in an ambulance service. Major changes achieved in recent times include:

- (a) Improved response times.*
- (b) The introduction of systems which provide timely and more accurate information concerning the location of all ambulances and their availability to meet a response requirement.*
- (c) The introduction of calltaking and despatch protocols, which optimise the response to a particular need, based upon the specific clinical requirements of the individual needing assistance.*
- (d) The ability to collect important data necessary to develop a meaningful understanding of ambulance resourcing requirements, both short and long term.*
- (e) Improved back-up facilities to ensure that, should the ambulance despatch centre go off line for any reason, an alternative site can be switched into action within a very short time frame.*
- (f) Improved ambulance crew availability through the contractor taking responsibility for vehicle transfer duties.*
- (g) Improved access to vehicle maintenance services through four major servicing branches.*
- (h) Electronic capture of vehicle information, enabling better monitoring of asset usage and better planning of servicing needs.*
- (I) Upgrade of financial information to improve organisational accountability.*
- (j) Substantial improvement in non-emergency productivity and response times.*
- (k) Adoption of a more appropriate and lower cost patient transport vehicle for non-emergency services.*

Given the strengthening of contract management processes by current management together with the continuing contribution made by ambulance officers and support staff, we are well placed to deliver further improvements in ambulance service to the people of Melbourne.

□ **RESPONSE** provided by Secretary, Department of Human Services

The Department notes that the Auditor-General acknowledges that the Department has introduced more stringent accountability requirements for the Service, including a requirement for all tenders greater than \$100 000 to be approved by the Department's Accredited Purchasing Unit.

The strengthened accountability requirements for contract management processes also include:

- *the recent appointment of a Committee of Management for MAS;*
- *MAS establishing an audit committee with audit reports to be submitted to the Department;*
- *MAS management staff declaring pecuniary interests;*
- *MAS reporting to the Department in respect of any pecuniary interests declared by either Committee of Management members or management staff; and*
- *conduct of monthly meetings between Department and Metropolitan ambulance Service representatives for the purpose of reviewing prior months financial and operational performance and consideration of current and future month issues.*

Part 2

Development and implementation of a computerised communications system

INTRODUCTION

2.1 In February 1993, the Parliament's Public Bodies Review Committee commenced an inquiry into:

- the effectiveness of the Metropolitan Fire Brigade Board's computer-aided call-taking and dispatch facilities; and
- the potential for the sharing of major support activities common to the State's emergency service organisations.

2.2 The second element of the Committee's inquiry essentially involved consideration of the feasibility of a Statewide emergency communications system.

2.3 Shortly after the appointment of Mr Firman as chief executive officer in April 1993, the Service identified the development and implementation of new communications facilities as a strategic priority. Planned actions included:

- development and implementation of a computer-aided dispatch system to automatically dispatch the closest and most appropriate Service vehicle to a received call;
- utilisation of an automatic vehicle location system for locating ambulance vehicles via a computerised mapping system; and
- installation of mobile data terminals which provide addresses and other call information directly to ambulances, thus reducing the need for voice radio communication.

2.4 Over the next 12 months to March 1994, the Service was heavily involved in the development of specifications, selection of a supplier and signing of a contract for the 3 elements of its new communication strategy.

2.5 Henderson Consultants was engaged to provide significant consultancy input to these processes.

2.6 Notwithstanding the fact that the Public Bodies Review Committee, in its October 1993 initial report, recommended the establishment of a joint communication and dispatch facility for the State's emergency services, the Service continued with its communication strategy which culminated in the signing in March 1994 of a contract with Intergraph Corporation Pty Ltd for all tasks associated with its new communication systems. The signing of the contract occurred just one month after the Public Bodies Review Committee issued its final report confirming its earlier recommendation for implementation of a Statewide emergency communications system.

2.7 Through a December 1994 variation to the contract, the Service entered into an outsourcing arrangement under which Intergraph not only supplied but operated the communications system.



2.8 Serious deficiencies were identified by audit in relation to the Service’s development and implementation of its new communication systems including:

- concerns over the engagement of Henderson Consultants;
- acceptance by Mr Firman of the needs analysis submitted by Henderson Consultants despite Mr Firman voicing major reservations as to the quality of such analysis;
- the absence of documentary evidence to substantiate how the 34 registrations of interest were short-listed to 4 potential suppliers invited to submit tenders;
- utilisation by the Service of system specifications which, despite their critical importance, were hurriedly developed and had been assessed by the Service’s then manager of information systems as containing major shortcomings;
- the inability of the Service to produce critical information to support the evaluation of tenders and selection of Intergraph as the preferred supplier, raising doubts as to the integrity of the tender process; and
- a failure by Mr Firman to adequately satisfy a key condition set by the Government that the Service’s new outsourced call and dispatch system be capable of integration into a Statewide emergency communications system, irrespective of the eventual supplier.

CONCERNS OVER THE ENGAGEMENT OF HENDERSON CONSULTANTS
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2.9 On 5 April 1993, Henderson Consultants submitted a proposal to Mr Firman to “... assist the Service to develop specifications for a communication system that will enable the Service to function in a highly efficient, cost-effective manner. Further, Henderson Consultants can assist in the process of selecting the appropriate systems to be acquired and the installation of those services into the Service”. No evidence could be found by audit to indicate that an invitation to respond for such services had been issued to any other party by the Service.

2.10 In its proposal, Henderson Consultants recommended that the implementation of a new communications system could be performed in 3 phases:

- “Phase 1 - the development of a needs analysis for both the operations of the communications room and the communication system itself leading to:
 - draft specifications for the communications system; and
 - specific recommendations for the future operations and management of the communications room.

The target date for completion is 28 May 1993.

- Phase 2 - the selection of a specific supplier or suppliers for the provision of the communications system. *The target date for completion is 30 July 1993.*
- Phase 3 - the project management of the installation of the new system, together with the project management of the changes appropriate to the communication room operations. *The target date for implementation is 30 September 1993”.*

2.11 On 16 April 1993, Mr Firman formally accepted the proposal from Henderson Consultants “to develop the specifications for a communications system” and authorised the firm to proceed with Phase 1 “... whereupon we will review progress before proceeding to the next stage”.

2.12 A range of shortcomings relating to the Service’s engagement of Henderson Consultants were identified by audit. These shortcomings included:

- A situation under which a single consultant could be appointed without a tender process to undertake such critically important tasks as the review and evaluation of the Service’s emergency communication procedures and the formulation of specifications for new systems, including a computerised ambulance dispatch system, with major community safety ramifications;
- The absence of a formal contract with Henderson Consultants setting out the terms and conditions of the engagement and clear specification of services to be provided under each phase of the consultancy, with the only evidence of engagement constituting a 2 paragraph letter from Mr Firman to the consultants;
- There was no documentary evidence to indicate that the Service had assessed the expertise and past experience of Henderson Consultants and the firm’s overall capability to provide an efficient and effective service;
- Notwithstanding Service documentation recording Mr Firman’s disappointment with the quality of the report submitted by Henderson Consultants on the firm’s work during phase 1, the firm was paid \$24 000 for its services for this phase (there was no evidence that the firm had been advised of this expressed disappointment). Audit examination of the consultant’s report on phase 1 indicated that the report’s recommendations were extremely general and added no value to the Service as they stated the obvious on matters relating to the Service’s communication systems. For example, the consultants recommended that the Service “... introduce a commercially developed computer-aided dispatch system to assist the control of ambulance vehicles” and “... introduce automatic vehicle location technology for ambulance vehicles”. In addition, the report did not address the development of specifications for a communications system, the key task mentioned in Mr Firman’s brief letter of acceptance of the consultant’s proposal for phase 1.

On the very same day, Henderson Consultants was invited to submit a tender (along with 2 other firms) for a revised phase 2 (the revision was necessary to reflect incomplete work of the consultants in phase 1). Despite these circumstances, the tender of Henderson Consultants for phase 2 was accepted by the Service;

- While expressions of interest to conduct phase 2 were sought from 3 firms, audit had doubts as to the integrity of the selection process in that:
 - Critical documentation to support the decision to appoint Henderson Consultants could not be produced for audit examination. There was no evidence to indicate the basis for selection by the Service of the 3 firms invited to submit tenders or that any of the firms, including Henderson Consultants, possessed any expertise in the subject area. In addition, only 2 of the 3 tender proposals could be located by the Service;



- Mr Cameron’s recommendation to Mr Firman for the appointment of the firm, which stated that “*Henderson Consultants proposal clearly indicates that they have a good understanding of the brief and are familiar with the Service’s operating environment*”, suggested that Henderson Consultants was given an unfair advantage over other tenderers on the basis of their involvement in phase 1. It is also difficult to comprehend Mr Cameron’s view of the consultant’s proposal as it comprised mainly a reiteration of the contents of the consultancy brief for phase 2;
- There was no evidence that the Service took into account the shortcomings concerning the quality of the report on phase 1 submitted by Henderson Consultants; and
- Henderson Consultants were notified by Mr Cameron of their appointment 2 days prior to approval by Mr Firman; and
- Henderson Consultants received \$34 000 for services provided under the revised phase 2 which mainly involved development of tender specifications for the new computerised communications system, a task which was specified by Mr Firman as forming part of phase 1. The tasks specified for the revised phase 2 were later extended to phase 3 and to a new phase 4, for which the consultants were paid in excess of \$123 000. A tender process was not followed for the appointment of the firm under phases 3 and 4.

2.13 In summary, the Service’s management of the various appointments of Henderson Consultants was seriously deficient and permitted an unexplained and continuing bias towards the firm. Throughout its examination, audit could find no evidence that the Service’s management satisfied itself as to the adequacy of the firm’s capability for undertaking the critically important tasks assigned under the consultancy.

ACCEPTANCE OF NEEDS ANALYSIS DESPITE MAJOR RESERVATIONS AS TO ITS QUALITY

2.14 The first phase of the tasks assigned by the Service to Henderson Consultants involved development of a needs analysis for both the operations of the Service's communications room and the actual communications system. The importance of this phase is reinforced by the fact that the results of the needs analysis were intended to be the principal basis for development of draft specifications for an envisaged new communications system.

2.15 As mentioned in an earlier paragraph, Service documentation examined by audit recorded Mr Firman's disappointment with the quality of the needs analysis report submitted by Henderson Consultants in June 1993. The earlier paragraph also mentioned that, in audit opinion, the consultant's recommendations were so general that they added no value to the Service. In this regard, fundamental issues associated with a needs analysis such as evaluation of various options and cost-benefit considerations were not addressed.

2.16 Given the circumstances described above and the absence of documentation to support decisions, it is difficult for audit to comprehend the reasons Mr Firman had in mind for paying the consultants, inviting them to tender for further work and subsequently engaging them for the next phase which had to be revised by the Service to accommodate work not completed by the consultants.

ABSENCE OF DOCUMENTARY EVIDENCE TO SUBSTANTIATE THE SHORT-LISTING PROCESS

2.17 On 17 and 20 July 1993, the Service advertised for expressions of interest "... for a turn key system covering the supply and installation of a Computer-aided Dispatch (CAD), Mobile Data Transfer (MDT) and Automatic Vehicle Location (AVL) system".

2.18 The Service received 34 registrations of interest. After receipt of a recommendation from Mr Cameron in a submission dated 12 August 1993, Mr Firman approved the short-listing of registrations of interest to 4 potential suppliers.

2.19 Audit was verbally advised by Mr Cameron that the recommendation for short-listing arose from independent assessments by both Henderson Consultants and the Service which were subsequently compared and agreed between the parties. However, there was no information available to indicate the reasoning behind relevant rankings assigned to each of the 34 registrations of interest and the selection of the final 4 potential suppliers, that were purportedly agreed between the consultants and the Service.



2.20 In contrast to the above situation, evidence of reservations of senior Service personnel as to the integrity of the short-listing process was available in minutes of meetings held in September 1993, attended by 6 Service personnel assigned key responsibility in the tender evaluation process. These minutes indicated that all the Service personnel, with the exception of the chairman of the meetings, Mr Cameron, expressed “... *concern regarding the short-listing process as it was not apparent on what basis organisations were selected*”.

2.21 Evidence to support the critically important selection of the 4 short-listed parties invited to subsequently submit tenders for the new communication systems was, for reasons unknown, unable to be located at the Service. It was not possible for audit to determine whether the evidence was lost by the Service, or ever existed, or to express any confidence in the integrity of decisions reached in the short-listing process.

<p>UTILISATION OF SYSTEM SPECIFICATIONS CONTAINING MAJOR SHORTCOMINGS</p>
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2.22 Although Henderson Consultants developed the system specifications which became the basis for tender documents covering the supply and installation of the CAD system, automatic vehicle location facility and the mobile data terminals, there was no evidence available at the Service to indicate that the specifications had been formally presented to and adopted by the Service.

2.23 However, a memorandum from the Service’s former manager of information systems dated 2 September 1993 was presented to Mr Firman, 3 days after tender documents were forwarded to the short-listed suppliers. The memorandum outlined a wide range of what the manager described as “*technical and functional deficiencies*” in the specifications. The depth of the manager’s reservations were reflected in the 5 recommendations submitted to Mr Firman in the memorandum which were presented in the following terms:

- “*this specification should be withdrawn as it does not adequately cover the Service’s requirements;*
- *a project manager with adequate skills in CAD and its associated technical disciplines should be appointed;*
- *the short-listed suppliers should be reviewed;*
- *a team of staff consisting of Communications, Information Systems, Technical Services, Road Staff and a CAD expert should be convened to complete this document prior to being re-released. Estimate of time require 4 weeks; and*
- *the time-table and staging needs to be reviewed in terms of providing a realistic schedule and practical implementable stages”.*

2.24 The views of the former manager were considered at subsequent meetings of the previously mentioned 6 Service personnel assigned the main responsibility in the tender evaluation process. Minutes of these meetings indicated that all the Service personnel, with the exception of the chairman, Mr Cameron, shared the concerns outlined in the earlier memorandum.

2.25 Notwithstanding the very clear concerns conveyed by virtually all key Service personnel involved in the tender evaluation process and the fact that the former manager of information systems advised audit that the memorandum was specifically requested by Mr Firman, the tender process continued without any reassessment by the Service of the appropriateness of the system specifications.

DOUBTS AS TO THE INTEGRITY OF THE TENDER PROCESS

2.26 On 30 August 1993, tender documents were distributed to the 4 parties short-listed by the Service, with responses required by 20 September 1993.

2.27 On 13 September 1993, the number of short-listed parties was reduced to 3 following formal withdrawal of one of the parties which cited the reason for its action in the following terms:

*“... it is impossible to deliver a professional document and install a working system within the time frames defined within the tender document. **Other vendors may be prepared to gamble on meeting them, or perhaps plan to re-negotiate the schedule after the tender phase. We do not believe this is the correct way to conduct a business partnership**”.*

2.28 In light of subsequent events, the above comments showed a remarkable degree of prescience.

2.29 The tender evaluation process was conducted over the 3 to 4 week period ended mid-October 1993. The process involved 3 separate teams which were assigned specific responsibility in a particular area, and were required to rank each tender and to recommend a preferred supplier. Details of the teams are presented below:

- Team 1 - responsible for evaluating the business requirements including implementation and training issues, costings and the disaster recovery elements of each tender;
- Team 2 - assigned the task of evaluating proposals for radio communications, the automatic vehicle location facility and the technical aspects of mobile data terminals; and
- Team 3 - required to assess the functional and information technology elements of the communications systems proposed by each tenderer and to verify tenderers' performance claims on system reliability etc. at sites, predominantly in North America, where their emergency communications systems were operating (this latter procedure is known as site reference checks).



2.30 Each team comprised a number of Service personnel assisted by an external consultant. Mr Cameron chaired team 1 which was assisted by Henderson Consultants. Teams 2 and 3 were not chaired by Mr Cameron and were advised by consultants other than Henderson Consultants.

2.31 Mr Cameron and the firm were responsible for overseeing the overall tender process.

2.32 Serious reservations as to the integrity of the Service’s tender evaluation process were formed by audit. These reservations are summarised below.

- The complete absence of documentation at the Service or held by Henderson Consultants relating to any work performed by team 1 chaired by Mr Cameron or to support the final rankings recorded in the document submitted by Henderson Consultants to Mr Firman recommending the preferred supplier, Intergraph Corporation Pty Ltd;
- The recommendation to Mr Firman showed that, for the areas assigned to team 1 covering the implementation program and costings, the final rankings were substantially in favour of the recommended supplier even though team 3, from its site reference checks, reported that North American entities receiving services from this supplier had verbally expressed significant concerns in these areas;
- Team 3 was directed by Mr Cameron not to contact any reference sites relating to one of the 3 remaining short-listed suppliers, a situation attributed by the team in its final evaluation report as *“the reason relayed by Mr ... [representing Henderson Consultants] for this instruction was that Mr D. Cameron had visited the ... site and had decided that they did not meet Service requirements”*. The team referred to the consequence of Mr Cameron’s direction as *“... restrictions imposed on contacting ... reference sites leave this area of the evaluation incomplete.”* Mr Cameron was not able to provide any documentary evidence to audit to support such a critically important judgement on the adequacy of the short-listed supplier’s reference sites. Further, while the decision was actually reversed at a later date and team 3 was able to provide a supplementary report on the results of its reference checks, the recommendation to Mr Firman for approval of Intergraph as the successful tenderer had already (4 days earlier) been submitted;
- In its evaluation report, team 3, which had responsibility for areas of critical significance to the successful implementation of a major communications system, documented the following conclusions which conveyed the team’s concerns in a number of areas:
 - *“Due to the restrictive timetable and some of the other restrictions noted in this and previous reports, placed on team 3, we cannot conclusively recommend one of the tenders as the best option for the Service. Substantial further investigations and facts will need to be gathered before a conclusive product recommendation could be made.*
 - *Removal of the costing details from the tender documentation severely handicapped some aspects of the comparison on a value for money basis.*
 - *Similar restrictions imposed on contacting reference sites leave this area of the evaluation incomplete.*



- *Resiliency of the CAD system is a major concern in terms of an Emergency Service. Aspects of this being a dual site disaster recovery option should be weighed carefully because of the nature of the Service's operation.*
- *The dual site option we believe is being evaluated by team 1, however, there are some significant technical details which should be considered.*
- *The only apparent strength that can be attributed to [one supplier's] option is that they have the most experience in installing CAD systems of the size and scope required by the Service. If the implementation schedule is considered of prime importance, then [this supplier has] the best chance of delivering.*
- *Team 3 has considerable difficulty in arriving at a preferred supplier between Intergraph and [another supplier]. On balance with the absence of the information mentioned before, the team would lean towards the [other supplier's] option. The basic reasons being that at a functional level they have the highest level of fit. Their software is currently installed in a number of Australian commercial sites. Similarly the high level of Australian content attracts national empathy for this solution. The risks are well documented above and would need to be addressed.*
- *Intergraph have a totally integrated GIS [Geographic Information System] and CAD system which could be modified to meet Service requirements. However, while it is difficult to fault, there are similarly few areas where it really excels”;*
- The recorded rankings by teams 2 and 3, in respect of their areas of responsibility, were not consistent with the tender evaluation ratings attributed to the teams for those areas included in the final recommendation submitted to Mr Firman. In the absence of documentation to support a consolidated evaluation report representing the recommendations of all 3 teams, audit was not in a position to determine whether the recommendation to Mr Firman accurately reflected the views of all 3 teams or only those of team 1; and
- The recommendation that Intergraph be appointed as the preferred contractor for the new systems was subject to an on-site evaluation of system reliability at a location where an Intergraph system was operating. A 9 day visit to a number of *live* Intergraph sites in North America, substantially funded by Intergraph (to the extent of at least \$22 000) and involving Mr Cameron and 2 other Service personnel (who have since left the Service), did not commence until 19 March 1994. Rather strangely, the timing of this visit was 2 days after the signing of the contract with Intergraph. While audit understands that a request for approval for the trip was submitted by the Service prior to signing the contract, **given the serious doubt concerning the propriety of accepting any benefit from an appointed contractor, one wonders why such a trip did not occur before formal signing and what could be gained from such a trip after the contract had been signed.**

2.33 In the light of the above matters, I have concluded that there are significant unanswered questions surrounding the Service's tender evaluation process.

FAILURE TO ADHERE TO GOVERNMENT CONDITION TO FACILITATE INTEGRATION OF NEW SYSTEM WITH THE PLANNED STATEWIDE SYSTEM

2.34 Following acceptance by Mr Firman in October 1993 of the recommendation for appointment of Intergraph, approval was sought from the then Secretary of the Department of Health and Community Services (now Department of Human Services). Given the Government's plans for establishment of a Statewide emergency communications system, the matter became an issue for consideration at government level.

2.35 My October 1995 Report on the Government's 1994-95 Statement of Financial Operations referred to the Government's endorsement of the Service's decision to appoint Intergraph on the condition that the Service understood that its proposed investment was only an interim arrangement which would not exempt it from assisting in the development and participation of a joint facility. In addition, the Service was required to cover any cost associated with its integration into the joint facility.

2.36 Audit examination of the contract entered into between the Service and Intergraph in March 1994 revealed that the terms of the contract **did not** adequately address the above condition set by the Government.

2.37 While certain conditions specified by the Secretary of the then Department of Health and Community Services were included by Mr Firman within a schedule to the contract, Mr Firman later formally advised the Government's ministerial steering committee for the Statewide system in November 1994 that:

- *“Under the Service's contract, Intergraph are not obliged to effect the integration of their CAD system to another supplier under BEST”*; and
- *“It is my view that it is the responsibility of the BEST negotiating team to:*
 - a) *reach agreement with Intergraph with respect to use of their equipment by a competitor CAD supplier; and*
 - b) *provide for the integration of the Intergraph System as part of BEST, whether immediate or some years subsequent”*.

2.38 The information conveyed by Mr Firman to the ministerial steering committee was in response to concerns raised by the committee on the adequacy of the contract's provisions for integration of the system into the Statewide system, should Intergraph not be appointed to operate the latter system. The committee's concern arose from its assessment of the Service's proposed variation to the March 1994 contract to accommodate the outsourcing of the operating of the communications system (in addition to the supply of the system) to Intergraph.



2.39 The main ramification of the above circumstances was that if Intergraph was not subsequently awarded the contract for the Statewide emergency communications system, the Government, through early termination of the contract, faced a substantial compensation claim from Intergraph. Alternatively, the Service would have to operate its system independently of the Statewide facility. The magnitude of the compensation claim was assessed at more than \$12 million in a commercial analysis dated June 1995 undertaken by consultants on behalf of the Bureau of Emergency Services Telecommunications.

2.40 A further ramification of Mr Firman's non-adherence to the Government condition was that the commissioning of the Service's new communications system did not occur until August 1995, some 15 months after the initial date stated in the specification and only 2 weeks before the *live cutover* of the Victoria Police and the Victorian State Emergency Service to the Statewide system. This significant delay precluded use of the Service's new communication system as a pilot for the Statewide system which was intended by the Government.

2.41 The Service has advised audit that it is not in a position to determine the extent of costs incurred by it in the process of integrating the new communications system into the Statewide system.

2.42 Notwithstanding the fact that Intergraph was ultimately awarded the Statewide contract and thus the major exposure to the Government did not eventuate, Mr Firman's non-adherence to the Government's requirement on integration to the Statewide system gave rise to a real possibility of such exposure.

Part 3

**Arrangements
with Griffiths
Consulting Pty Ltd**

INTRODUCTION

3.1 Although no evidence could be found by audit to indicate that an invitation to respond had been issued to any external party by the Service, Griffiths Consulting Pty Ltd forwarded a formal proposal, dated 6 May 1993, to Mr J. Firman, just one month after his appointment as chief executive officer, to provide consultancy services following what the firm described in its proposal as “... *our recent meetings and discussions* ...” The proposal involved the undertaking of a *commercial review* of Service operations in 5 stages comprising:

- identifying the functions and systems essential to the Service;
- recommending options, benefits and costs;
- preparing detailed specifications and tender documents for all areas where improvement needs to be made;
- evaluation of tenders for new systems; and
- managing the implementation of new systems.

3.2 A letter of appointment for the first stage of the review, which involved determining the essential systems needed by the Service, was forwarded to Griffiths Consulting on 13 May 1993, 7 days after submission of its proposal.

3.3 The firm was subsequently engaged over the next 2 years to undertake the remaining 4 stages of the review and an additional 4 activities comprising:

- a facilities management role for new management information systems;
- assisting in the development of business plans, budgets and cash flow projections;
- the provision of temporary staff for the Service; and
- a project management role in relation to the outsourcing of the Service’s fleet management and maintenance.

3.4 Extensive deficiencies were identified by audit in the consultancy arrangements entered into by the Service with Griffiths Consulting. Of particular concern to audit was the absence of evidence to indicate that the Service undertook normal selection processes for a consultancy which ultimately involved aggregate payments of \$1.5 million (including cost overruns of \$770 000 over initially-set budgets approved by the Service) and a lack of scrutiny over payments to the firm by the Service.

3.5 Key issues associated with the involvement of Griffiths Consulting are summarised in the following paragraphs.

SELECTION AND APPOINTMENT OF GRIFFITHS CONSULTING

3.6 The Service failed to adhere to acceptable standards for the engagement of Griffiths Consulting in any of the 9 arrangements entered into with this firm.

3.7 Despite a continuing record of substantial cost overruns, Griffiths Consulting was progressively engaged for 7 of the tasks without the Service seeking competitive tenders. In addition to this critical shortcoming, there was no evidence to indicate that any attention had been given to the following key factors normally associated with responsible engagement of consultancy services:

- potential conflicts of interest that may arise from the appointment of the firm;
- the technical competency of the firm to perform the tasks required or of the firm's professional standing; and
- the potential for the required consultancy services to be provided at a lower cost to the Service.

3.8 The Service sought tenders for only 2 arrangements, namely stage 2 of the commercial review involving the furnishing of recommendations on options, benefits and costs, and a project management role in relation to the outsourcing of fleet management and maintenance. However, the calling of tenders for these 2 tasks appears to be, at best, tokenism, and, at worst, a charade.

3.9 In audit opinion, the tender selection process for stage 2 of the commercial review was seriously flawed and clearly favoured the eventual selection of Griffiths Consulting, in that:

- the brief provided to prospective consultants contained insufficient details and was a reproduction of information previously submitted by Griffiths Consulting;
- the 4 firms approached to submit proposals were required to respond by return mail (only 3 firms subsequently responded);
- Griffiths Consulting had gained an intimate knowledge of the requirements of stage 2 from its involvement in the first stage of the review;
- advice was given to other firms by the Service to base their cost estimates on a minimum requirement of 50 days whereas Griffiths Consulting was allowed to submit estimates on a completely different basis which happened to be less than the minimum requirement advised to other firms;
- the fact that Griffiths Consulting had incurred a cost overrun of 32 per cent on stage 1 was not considered;
- there was an absence of any evidence to indicate that proposals received from other firms had been fully evaluated;

- the unusual practice of progressively appointing Griffiths Consulting to stage 2 (and subsequent stages) was contrary to the generally accepted principle that, for staged consultancies, the entire contract be awarded to one consultant at the outset of the project or the consultant appointed for the initial stage be disqualified from tendering for subsequent stages; and
- apart from the above, audit has serious reservations as to the bona fides of the other 2 tenderers for stage 2, one of whom has had a long professional association with Mr Griffiths and the other was a small suburban accounting firm.

3.10 In respect of the contract for the outsourcing of fleet management and maintenance, Mr Cameron of the Service instituted actions which gave a completely false appearance that a fair tender process had been followed as evidenced by:

- his request to other firms to submit proposals **3 months after** advising Griffiths Consulting to proceed in the project management role;
- the seeking of approval of the Service administrator **5 months after** the effective appointment of Griffiths Consulting; and
- a payment to Griffiths Consulting of \$21 700 for work already undertaken on the project only 2 days after approval of the firm's engagement by the Service administrator.

3.11 In addition, audit found the following deficiencies relating to approvals in that:

- at the request of the consultant, Mr Cameron overstated the cost of stages 3 and 4 of the commercial review by \$41 200 when seeking approval by Mr Firman for the appointment of the firm to these stages;
- on the same day as approval was given by Mr Firman and the administrator for the appointment of Griffiths Consulting for stage 5 of the review, Griffiths Consulting submitted an invoice for \$41 000 relating to that stage; and
- there was no documentation outlining approval or reasons for the engagement of the firm to provide temporary staff to the Service which subsequently cost in excess of \$32 000.

3.12 Furthermore, no formal agreements were entered into with Griffiths Consulting throughout its entire involvement with the Service covering such matters as deliverables, timelines, penalties, performance against budgets and reporting requirements, all of which would be essential to ensure effective scrutiny and supervision of service delivery by the consultants.

3.13 It would appear that in selecting and appointing Griffiths Consulting to provide a wide range of services, former management of the Service accorded highly preferential treatment to the firm. The fact that a multiplicity of consultancy firms could have provided these services raises serious questions as to the underlying motive for such privileged treatment.

PAYMENTS MADE TO CONSULTANT

3.14 Total fees and out-of-pocket expenses paid by the Service to Griffiths Consulting amounted to over \$1.5 million, which included more than \$770 000 in excess of initial cost budgets advised by the firm and paid without any documentary evidence of questioning by management.

3.15 A common feature of the services provided by Griffiths Consulting was the exceeding of initially submitted cost estimates and a generally high level of out-of-pocket expenses. Table 3A provides relevant details.

TABLE 3A
EXTENT OF COST OVERRUNS
AND OTHER CLAIMED EXPENSES
(\$)

<i>Project</i>	<i>Initial approved cost</i>	<i>Actual cost</i>	<i>Out-of-pocket expenses and other reimbursed expenses</i>
Commercial review -			
Stage 1	45 000	59 485	13 035
Stage 2	46 000	89 523	6 531
Stage 3	80 975	80 635	2 848
Stage 4	89 825	113 956	467
Stage 5	113 000	600 827	8 815
Facilities management	176 400	309 628	1 649
Business planning	65 000	57 712	1 015
Temporary staff	nil	32 360	nil
Fleet management	90 720	136 672	4 033
Total	706 920	1 480 798	38 393

3.16 For stage 5, a separate agreement was entered into between the Service and the supplier of management information and subscription systems, Emergency Services Pty Ltd, a company established by the chartered accounting firm Arthur Andersen. Under the agreement, Griffiths Consulting was paid project management fees of \$280 000 by the supplier. In addition and without any supporting evidence, Mr Firman subsequently requested the supplier to pay a further \$150 000 to the consultant for “*substantial additional professional services*”. Audit was not in a position to determine if this additional amount was ultimately paid by the supplier to Griffiths Consulting.

3.17 Notwithstanding the fact that the formal agreement between the Service and Emergency Services Pty Ltd provided for project management fees for stage 5 to be paid to Griffiths Consulting by the contracted supplier, the Service approved an initial budget allocation of \$113 000 for Griffiths Consulting. As indicated in Table 3A, the Service ended up paying the firm in excess of \$600 000 for this stage of the review in addition to amounts received by the firm from the supplier.

3.18 Other disturbing features of the manner in which the Service remunerated the firm, which, in audit opinion, constituted managerial negligence, are summarised below:

- in most cases, documentation was not available to indicate that Griffiths Consulting had advised in advance of potential cost overruns with the majority of claims for additional fees approved by the Service after the work had been undertaken;
- there was minimal documentation to support reasons for cost overruns;
- there was virtually no evidence of investigation by the Service of claims for additional fees submitted by the firm. Two examples are shown below:
 - after quoting a fixed cost of \$46 500, including out-of-pocket expenses, for stage 2 of the commercial review, aggregate claims by the firm totalled \$96 000, including additional out-of-pocket expenses of more than \$6 500; and
 - an invoice claiming payment in advance of \$40 000 for stage 2 was received on 19 July 1993, only 7 days after approval of the appointment of the consultant to this stage of the review;
- the Service accepted all responsibility for cost overruns and did not attempt to set a fixed fee for the consultancy arrangements or place responsibility for meeting cost budgets on the firm; and
- payments by the Service totalling \$38 000 for out-of-pocket and other reimbursed expenses, as shown in Table 3A, were made without adequate supporting documentation.

3.19 Throughout the entire consultancy, former Service management allowed Griffiths Consulting to totally control the nature and level of submitted claims which were approved and paid without any documentary or confirmed evidence of questioning of related services and their costs.

<p>QUESTIONS CONCERNING THE INVOLVEMENT OF GRIFFITHS CONSULTING IN MATTERS RELATING TO THE DEVELOPMENT OF THE NEW COMMUNICATIONS SYSTEMS</p>

3.20 As mentioned in an earlier paragraph, Griffiths Consulting was responsible as part of the commercial review for preparing detailed specifications and tender documents for all areas where improvement needed to be made. This responsibility meant that Griffiths Consulting would have been required to liaise closely with Henderson Consultants to ensure that systems specifications for the various new systems proceeding under the commercial review were consistent with those relating to the new communications systems.



3.21 Mr Cameron, in an internal Service memorandum, described the above involvement of Griffiths Consulting with the new communications systems in the following terms:

“Griffiths Consulting performed a crucial role in this tender, particularly having regard to the interface between the M/FIS [management and financial information systems] and CAD/AVL Systems [computer-aided dispatch and automatic vehicle location systems]”.

3.22 Mr Cameron advised audit that the role of Griffiths Consulting did not extend beyond ensuring an adequate interface facility existed between the information and communications systems, that is, there was no further involvement of the firm in the tender process.

3.23 The Service’s advice that Griffiths Consulting did not play an active role in the tender process is not consistent with that conveyed to audit by Mr J. Taylor, President of Intergraph’s parent company, who indicated that Griffiths Consulting had a detailed knowledge of the requirements of the State’s emergency services, including the Metropolitan Ambulance Service.

3.24 Mr Taylor also advised audit that Intergraph’s then national manager, Emergency Services Systems, Mr S. Tyrell, had recommended the appointment by Intergraph of Mr Griffiths. He was to assist in the financial modelling for their tender for the Statewide emergency service dispatch system and to help represent Intergraph in negotiations with the Government, due to his expert knowledge of the Service’s requirements displayed during the earlier negotiations between the Service and Intergraph and his high level contacts within government.

3.25 Intergraph subsequently acquired Griffiths Consulting in March 1995 and appointed Mr Griffiths as one of the directors and chief executive officer of its new subsidiary company, Intergraph Public Safety Pty Ltd, which was awarded the Government’s Statewide contract in May 1995.

3.26 The following note was included by Intergraph Public Safety Pty Ltd in its notes to and forming part of its published 1995 financial statements:

“Transactions with other related parties

Payments in respect of a performance bonus amounting to \$729 975 were made to G.T. Performance Marketing Pty Ltd (“GTPM”), a company controlled by two of the economic entity directors, Messrs G.A. Griffiths and S.N. Tyrell. These payments were made under an arms-length consultancy agreement between GTPM and the ultimate chief entity (Intergraph Corporation)”.

3.27 According to information provided by Intergraph Public Safety Pty Ltd, the above payment represented sales commission earned by Mr S. Tyrell in his capacity as Director of Sales and Marketing as a consequence of securing the contract with the Service, inclusive of subsequent variations including the outsourcing arrangements to Intergraph Public Safety Pty Ltd.



3.28 Based on the information conveyed to audit by Mr Taylor, it is very clear that the decision by Intergraph to appoint Mr Griffiths to a key company position can be primarily attributed to his detailed knowledge of the Service’s needs and of how Intergraph could best meet the communication needs of the Service.

MISSING DOCUMENTATION RELATING TO PERFORMANCE OF CONSULTANTS

3.29 The first 2 stages of the commercial review were aimed at defining essential systems and interfaces required by the Service and recommending future options accompanied by potential benefits and costs. The Service was unable to provide audit with any reports or recommendations prepared by Griffiths Consulting for these stages of the project. As a result, audit was unable to ascertain the quality of reports and soundness of recommendations made by the consultants.

3.30 Tender specifications, summaries of tender evaluations and recommendations of preferred suppliers prepared by Griffiths Consulting were available for stages 3 and 4 of the review and for the outsourcing of the Service’s vehicle fleet. However, detailed information supporting tender evaluations and recommendations was not retained by the Service.

3.31 With the exception of invoices submitted by Griffiths Consulting, there was minimal documentation available to outline tasks undertaken as part of the project management role of the consultants during stage 5 of the commercial review. The role of the firm in this stage was unclear as other consultancy firms were also engaged by the Service to undertake project management activities.

3.32 The absence of key Service documentation precluded assessment by audit of the quality of the services provided by Griffiths Consulting.

Part 4

Other outsourcing arrangements

MANAGEMENT INFORMATION SYSTEMS AND THE SUBSCRIPTIONS SYSTEM

4.1 A key aspect of the Service's commercial review, referred to in Part 3 of this Report and involving Griffiths Consulting Pty Ltd, was the outsourcing of new financial and management information systems and of the ambulance subscriptions system.

4.2 For this aspect of the commercial review, Griffiths Consulting was given wide-ranging responsibility for defining the needs of the 2 new systems, preparing detailed tender specifications, organising the public tenders, evaluating submissions, recommending the selected suppliers and acting as project manager to oversee implementation of the systems.

4.3 While separate tendering processes were followed for each system, a contract covering the development and implementation of both systems was subsequently awarded to the one firm, Emergency Services Pty Ltd, a company established by the chartered accounting firm Arthur Andersen (with an initial estimated cost of \$13.4 million over 4 years).

4.4 Under the contract dealing with computerised communications system, commented on in Part 2 of this Report, Intergraph was obligated to enter into an appropriate agreement with Emergency Services Pty Ltd to build interfaces to the Service's management information systems upon installation of the communications system.

Shortcomings of tendering and evaluation processes

4.5 Separate tender specifications for both the management information system and the subscriptions system were prepared by Griffiths Consulting and formed the basis for an invitation for tenders from a range of potential suppliers.

4.6 Evaluation summaries prepared by Griffiths Consulting contained its ranking of the submissions received for the 2 tendering processes. The Service did not have any additional documentation available to support the rankings made by the consultant against the selection criteria.

4.7 The Service advised Emergency Services Pty Ltd that it was the successful tenderer in October 1993 and gave clearance for the company to immediately commence work on the projects. This action was authorised by Mr Firman without approval for the arrangement by the Department of Human Services. Such approval was not received until November 1993 and the contract was not signed until January 1994 when a significant proportion of the work had already been completed.



4.8 Concerns were formally expressed to the Service by 2 of the 3 participants in the tender process for the subscriptions system with:

- one of the tenderers, a major company, initially expressing interest in the proposal but subsequently withdrawing from the bidding process on the basis of the short time frame set for submission of tenders and the failure of the Service or its consultant to inform it of 2 meetings for potential tenderers; and.
- another tenderer raising concerns at the open encouragement given to tenderers to revise their original submissions during the evaluation period.

4.9 Documentation held at the Service from Griffiths Consulting indicated that Emergency Services Pty Ltd had been selected as the successful tenderer for outsourcing of the subscriptions system prior to the date set for final presentations by other tenderers.

Adequacy of contractual terms and conditions

4.10 One contract was entered into with Emergency Services Pty Ltd covering the development and operation of the 2 new systems as well as the provision of project management services.

Weaknesses in contract specifications

4.11 The tender specification and contractual arrangements entered into with Emergency Services Pty Ltd did not clearly specify all the services and facilities the Service would require from the outsourcing of information systems and its subscriptions service. In this regard, the tender and contractual documentation did not reflect the Service's expectation, clearly identified in Service records, that the external provider would, through innovative ideas, improve system efficiency and increase subscriber numbers.

4.12 In addition, the contract did not incorporate specific performance standards against which the Service could evaluate the progressive performance of Emergency Services Pty Ltd.

4.13 The Service's failure to clearly outline its expectations from Emergency Services Pty Ltd has resulted in excess of 50 variations since January 1994 to the initial contract at substantial cost to the Service.

4.14 A further significant shortcoming in the contract with Emergency Services Pty Ltd was the failure to provide for the Service to have ownership of any customised software or hardware at the conclusion of the current arrangement. As a consequence, substantial additional costs would be incurred by the Service if a supplier other than Emergency Services Pty Ltd was engaged at some time in the future to provide the services.

.....

4.15 The contract's disputation clauses did not provide the Service with any practical remedies, such as termination of the contract or recovery of damages, when it was in dispute with Emergency Services Pty Ltd. Many disputes have in fact arisen and the Service has been forced to negotiate settlements with the supplier on a range of issues at additional cost.

4.16 For the subscriptions system, Emergency Services Pty Ltd receives payments based on the number of members. The contract provides for a minimum payment based on 1 million members with additional payments for numbers in excess of this level. The risk that numbers would fall below this minimum level was not addressed by the Service.

4.17 The consequences to the Service in terms of additional costs and delays in implementation of systems from the above weaknesses in contract specifications are summarised below:

- Subscriber numbers in Victoria have currently dropped to less than 800 000 with the Service required to continue to make payments to Emergency Services Pty Ltd on the basis of the minimum membership level of 1 million subscribers;
- Cost savings of \$3.8 million anticipated by the Service from the outsourcing arrangements with Emergency Services Pty Ltd have not been achieved;
- Two important modules of the new management information systems, namely the executive information system and the interface with the computerised ambulance dispatch system, have not yet been finalised;
- Although the contract with Emergency Services Pty Ltd provided for "... *the co-ordination and supervision of the obligations of Intergraph to the Service under the Intergraph Agreement and the monitoring of compliance by Intergraph with those obligations*" at a total cost of \$942 000, Emergency Services Pty Ltd complained to the Service in September 1994 about a lack of co-operation from Intergraph in respect of this role and sought a release from its project management obligations. The then management of the Service determined not to release Emergency Services Pty Ltd from its project management obligations or to resolve the issue in an alternative manner;
- When current Service management formed doubts over the extent of project management services provided by Emergency Services Pty Ltd and reservations over the ongoing need for such a role, action was initiated to determine whether Emergency Services Pty Ltd was in fact delivering project management services in accordance with the contract. After consideration of the circumstances, the Service ultimately paid a lump sum to the contractor of \$425 000 in March 1996 in settlement of any services provided to that date and terminated the project management arrangements. In effect, this proactive initiative by current management can be viewed as avoiding an additional liability to the Service of around \$500 000 which would have eventuated had the earlier unsatisfactory arrangements been allowed to continue;



- Because of the consistent lack of documentation to support payments by the Service to Griffiths Consulting, as commented on in Part 3 of this Report, audit could not be assured that payments relating to the same project management services provided by Emergency Services Pty Ltd, commented above, had not also been made to Griffiths Consulting; and
- A dispute with Emergency Services Pty Ltd which involved, in the Service's opinion, an overpayment to Emergency Services Pty Ltd of approximately \$86 700 mainly for equipment not received. Strong action by the current chief executive officer has resulted in full recovery of this amount.

4.18 In summary, because of critical weaknesses in the earlier management of the contract with Emergency Services Pty Ltd, projected savings of \$3.8 million from the outsourcing arrangements have not been achieved by the Service. The total contract cost to the Service is likely to be \$15 million, of which \$1.6 million is viewed by audit as attributable to weaknesses in contract specifications.

OUTSOURCING OF FLEET MANAGEMENT AND MAINTENANCE
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4.19 As mentioned in Part 3 of this Report, Griffiths Consulting was engaged by the Service to undertake a project management role in relation to the outsourcing of the Service's fleet management and maintenance.

4.20 The Service's transport fleet comprises emergency response and transportation ambulances and a small number of other vehicles. Traditionally, the Service has retained ownership of its fleet with maintenance undertaken at Service workshops located at Frankston and South Melbourne.

4.21 In November 1994, the Service entered into a 4 year contract for the outsourcing of fleet management and maintenance to a private sector service provider, JMJ Fleet Management Pty Ltd.

4.22 Despite short-listing by Griffiths Consulting of 4 companies experienced in fleet management to provide the outsourced services, only 2 detailed proposals were received. The 2 remaining companies advised the Service that they had withdrawn because of the complexity and degree of information required by the Service. Following rejection by Griffiths Consulting of one of the 2 received proposals on the basis that it did not fully comply with Service requirements regarding costing and other information, JMJ Fleet Management was adjudged by Griffiths Consulting as effectively the only suitable tenderer.

4.23 The audit examination identified that no cost savings under this outsourcing contract have been achieved. The 2 factors principally contributing to this situation are summarised below.

- A failure to undertake a detailed cost-benefit analysis to support the outsourcing decision despite a conclusion reached in 1992 by consultants engaged by the Service (prior to Mr Firman's term as chief executive officer) that the outsourcing of fleet management and maintenance would be more expensive and more difficult to control than in-house operations. In recommending JMJ Fleet Management for the contract, Griffiths Consulting stated that cost savings of around \$500 000 were expected to be generated over the first 4 years, a recommendation accepted by Service management. Audit considered that assumptions made by Griffiths Consulting underlying the projected cost savings were over-optimistic.
- Current Service management found it necessary to approve a major variation to the contract which involved the payment of additional fees of \$300 000 a year to JMJ Fleet Management following extensive investigation and negotiation of claims by the contractor for a substantial increase in contractual payments. Based on Service documentation, the key catalysts for this decision were:
 - an understatement in the tender specifications prepared by Griffiths Consulting of the volume of work required for maintenance of the Service's fleet;
 - verbal advice received by the Service from JMJ Fleet Management that its subcontractor, which had no prior experience in the servicing and maintenance of emergency services vehicles, was losing a significant amount of money on the contract and that the actual level of the workload was in excess of that envisaged under the contract;
 - a failure of former Service management to make provision for adjustments to contract rates related to movements in the consumer price index; and
 - concerns over the financial stability of the sub-contractor and the impact on ambulance services if the sub-contractor was unable to continue to provide the required maintenance services.

OUTSOURCING OF NON-EMERGENCY SERVICES

4.24 Following a government decision in August 1993 to de-regulate pricing relating to non-emergency transport services, the Service initially arranged short-term interim contracts with several private sector organisations to undertake the provision of *non-emergency stretcher transport* services from September 1993. A decision was subsequently made in early 1994 to implement longer-term arrangements for such services following the expiry of the interim contractual arrangements.



Absence of documentation to support the contracting-out of non-emergency services

4.25 In the lead-up to the above government decision, the then chief executive officer of the Service (who preceded Mr Firman) expressed the following concerns regarding risks to the Service of transferring these services to the private sector:

- a potential erosion of the Service's annual fee income by up to \$10 million;
- a possible impact on subscription income due to the less attractive coverage that could be provided by the Service for emergency services only; and
- a reduction in the Service's capability to respond to emergency situations if there were fewer available transport vehicles.

4.26 These concerns were relevant to the Service's initial move to utilise short-term interim contracts.

4.27 No evidence could be provided by the Service to indicate that an evaluation of the potential costs and benefits associated with longer-term contracts with private service providers had been undertaken.

Tendering and evaluation processes

Short-term contracts

4.28 Short-term contracts to provide non-emergency stretcher transport services were awarded to 6 companies, of which 5 had been formed by then existing or former Service employees.

4.29 Despite the extensive involvement of then current and former employees, these contracts were arranged by the Service without a public competitive tendering process. Audit was advised by the Service that, at the time, the competitive market was insufficient to justify a tendering process.

4.30 No documentation could be provided to audit concerning the basis for the evaluation and selection of the 6 successful companies.

Long-term contracts

Involvement of Henderson Consultants

4.31 In addition to the consultancy services provided by Henderson Consultants which were commented on in Part 2 of this Report, the firm was appointed in April 1994 to assist in the tendering process for the subcontracting of certain non-emergency services. Appointment was made without seeking tenders from alternative consultancy firms. Documentation could not be produced by the Service to support the reasons for the selection of Henderson Consultants.

4.32 The Service did not enter into a formal agreement with Henderson Consultants. There was also no evidence of approval for expansion of the firm's role from that of an advisory capacity to subsequently assuming major responsibility on behalf of the Service for all aspects of the tendering of non-emergency services.

4.33 During discussions with audit, representatives of organisations which submitted bids to the consultancy firm for the provision of non-emergency services during the 1994 tendering process raised concerns over the expertise of Henderson Consultants. In particular, these representatives considered that the firm was unable to provide timely responses to queries on tender specifications and other matters.

4.34 As part of an Administrative Appeals Tribunal hearing during 1995 and 1996, the Service's former Manager, Metropolitan Patient Transport, Mr Wood, conceded that Henderson Consultants had "*no understanding of non-emergency services and apparently little of government contracting*", notwithstanding the fact that he had recommended their appointment.

4.35 **The final cost to the Service of this arrangement with Henderson Consultants was \$32 000 which represented an increase of 60 per cent over the original estimate of \$20 000.**

Conflict of interest of Service employee

4.36 Mr Wood was the Service representative in the tender process for non-emergency transport and the key Service liaison with Henderson Consultants. During the 1994 tender process, Mr Wood had a conflict of interest in that:

- a private company which was awarded a tender for non-emergency transport, had been established by Mr Wood in 1993 in conjunction with another Service employee; and
- despite relinquishing his directorship and shareholding in the private company, Mr Wood retained financial interests in the company to the extent that his private residence was held as security for a company loan and overdraft facilities and he remained a guarantor in respect of lease payments relating to the company's business premises.

4.37 Subsequent to the selection process, Mr Wood continued to maintain a significant role in the management of non-emergency transport contracts.

4.38 A departmental inquiry subsequently undertaken in March 1996 found that "*... while there is no evidence of an impact upon the outcomes of the tender process, the existence of a conflict of interest held by Mr Wood, and the promulgation of the existence of that conflict, may have prejudiced the tender process to the extent that some members of the public and the industry lacked confidence in the probity of the process*".

4.39 **Representatives of other companies involved in the tender process, advised audit of their concerns over the equity of the tendering process given Mr Wood's clear conflict of interest.**



Concerns with tendering and selection processes

4.40 Records dealing with registrations of interest submitted to the Service to provide non-emergency transport services, from which the short-listed applicants were drawn, could not be produced by the Service for audit examination.

4.41 Short-listed parties had a total of 14 days to respond to the tender with successful parties required to be fully operational within 2 weeks. Audit was advised by certain unsuccessful tenderers that this limited time frame provided an advantage to those already performing non-emergency services under the short-term contracts with the Service. **This view was reinforced by the fact that all 4 successful tenderers were already providing non-emergency transport services on a short-term basis prior to the tender process.**

Lack of specific performance criteria within contracts

4.42 Consistent with the position found by audit with virtually all contracts entered into by the Service during Mr Firman's period as chief executive officer, there were no minimum performance criteria or standards of expected quality specified in the contracts dealing with non-emergency services and no mechanisms for penalising inadequate performance by contractors.

4.43 **As a result of the lack of specific performance standards, the Service was not in a position to effectively monitor the quality of performance of non-emergency service contractors.**

Part 5

Role of the administrator

INTRODUCTION

5.1 Mr J. Perrins, a partner with the chartered accounting and business advisory firm, Price Waterhouse, was appointed as the administrator of the Service by the former Minister for Health in April 1993, at the same time as Mr Firman was appointed as the chief executive officer of the Service. Mr Perrins’ term of office ended on 27 January 1997 following the establishment of a new Committee of Management for the Service.

5.2 Fees paid to Mr Perrins as administrator during the period from April 1993 to January 1997 totalled \$77 000.

5.3 The powers of an administrator are extensive, in that all the business, property and affairs of an organisation come under the administrator’s control. In accordance with the *Ambulance Services Act 1986*, Mr Perrins assumed all the functions, powers, immunities and duties of a committee of management.

VIEWS OF THE ADMINISTRATOR AS CONVEYED TO AUDIT

5.4 Audit held discussions with Mr Perrins concerning his role as administrator in respect of the matters raised in this Report. Mr Perrins has agreed that the information set out below accurately represents his view of key events during his period as the Service’s administrator as conveyed to audit:

- Mr Firman was selected for the role of chief executive officer by the then Departmental Secretary. Before taking control of the Service, Mr Firman carried out extensive research into the Service and similar services in other states. He also acquainted himself with the Government’s strategies with respect to the future of the Service. In essence, the strategy conveyed to Mr Firman was to provide the metropolitan area with a quality emergency ambulance service operating to world best practice response times at minimum cost to the Melbourne community. As far as Mr Perrins knew, Mr Firman was the first chief executive officer of the Service who had not been promoted through the ranks of operating ambulance officers. Mr Perrins understood that Mr Firman had been selected on the basis that he was to be an agent for change. He had brought about cultural change in a number of organisations, most recently at the then Port of Melbourne Authority. Mr Firman’s contract was for 2 years ending in March 1995. He did not seek to renew this contract.



- In the first year of his appointment, Mr Firman determined that the Service's Emergency Services, Non-Emergency Services and the Clinic Car Division be separated and run as distinct businesses. Previously, the resources of the Service were combined to service all 3 areas. This meant that the existing systems, both operating and financial, were inappropriate and needed to be changed. The systems were also old and in need of updating in any event to achieve the improvements that the Service and the community demanded. Mr Griffiths of Griffiths Consulting was appointed by Mr Firman to carry out a systems review with the aim to produce systems that would be relevant to the new operating structure. Mr Griffiths then continued to assist the Service in conjunction with other consultants to produce the systems specifications prior to tenders being sought. These tenders were for the outsourcing of the Subscriptions Scheme, the installation of an integrated financial and management information system, and a Computer-aided Dispatch/Automatic Vehicle Location System. The tenders were evaluated by a team comprising employees of the Service and the consultants and a recommendation was brought to the administrator by the chief executive officer for approval. Mr Perrins recalls there was considerable documentation in respect of the tender specifications and the evaluations but he did not retain all of this material. He believed this documentation was filed and kept at the Service. Negotiations in relation to the funding for these commitments were carried out between the chief executive officer, the Service's management and the Department. Mr Perrins' approvals of the tenders for these systems were always subject to funding being made available by the Department.
- Mr Firman regularly used firms and individuals with whom he had a previous successful working relationship and he brought these contacts to assist him at the Service. These skills were not available from existing Service personnel. This was not seen as undesirable as it was in accord with the powers available to Mr Firman under his employment arrangements and the Department should have been aware of these arrangements.
- Due to the lack of appropriate systems and therefore the lack of meaningful management information, the equivalent of formal committee of management meetings were not held during the first year of the administrator's appointment. Accordingly, Mr Perrins did not formally document decisions except for those requiring the Department's approval and those which resulted in contracts requiring his approval and signature.
- Mr Perrins was unaware that Mr Griffiths was a former employee of Arthur Andersen which was the successful tenderer to manage the Subscription Scheme and to oversee and implement through Emergency Services Pty Ltd the project management of the Computer-aided Dispatch/Automatic Vehicle Location System and its integration with the new financial and management information systems. In a letter dated 22 October 1993 from Mr Firman, Mr Perrins received the recommendation in respect of the successful tender after the tender evaluation process had been completed. This recommendation was then forwarded to the then Departmental Secretary. Discussions continued between Mr Firman and the Department relating to the approval of funding for the projects and contracts were signed with Emergency Services Pty Ltd in January 1994.



- Mr Perrins noted that the Computer-aided Dispatch/Automatic Vehicle Location System to be supplied to the Service was in respect of computer software and hardware and did not entail the outsourcing of the Service’s Communication Centre to Emergency Services Pty Ltd. This outsourcing concept was developed in 1994 when the Bureau of Emergency Services Telecommunications sought tenders for the communication systems for the other Emergency Services. Mr Firman carried out all the negotiations with the Bureau in respect of the integration of the Service’s new system with that proposed by the Bureau. Mr Firman kept Mr Perrins informed of his discussions with the Bureau but Mr Perrins had no input into what appeared to be a Government policy decision.
- Mr Perrins stated he had increasing concern over the reliance on Griffiths Consulting in consulting to the Service. Mr Perrins gained some comfort from the repeated assurances from Mr Firman that Mr Griffiths could be trusted and was a very competent operator.
- Despite a recommendation from Mr Perrins that a bonus should be paid to Mr Firman on the completion of his contract, the Department declined to endorse his recommendation and to Mr Perrins’ knowledge no bonus was paid.
- In essence, Mr Perrins was not involved in the day-to-day operations of the Service, as he felt that he should be reasonably entitled to rely on the advice and information provided by Mr Firman as chief executive officer in respect of all operations. During his association with Mr Firman, Mr Perrins stated that he had no reason to suspect Mr Firman was acting in a way other than in the best interests of improving the Service.

OVERALL AUDIT COMMENT

5.5 Audit accepts that an administrator cannot be expected to monitor all activities and should be able to rely upon employees to perform their duties diligently and honestly. However, an administrator should be vigilant in the conduct of the role which extends beyond the passive acceptance of information and should exercise a degree of inquisitiveness where circumstances warrant further explanation. Given the extent to which concerns about the Service had been raised repeatedly in Parliament and the Government’s view of the seriousness of the position leading to replacement of the committee of management with an administrator, audit considers that there were grounds for the administrator to have assumed a more pro-active stance during the whole period of the appointment.

5.6 The community has high expectations of public sector boards of management in terms of quality performance and matters of probity and accountability. Given these expectations, it is considered that the administrator had a specific obligation to ensure that adequate and reliable information on which to base major decisions was provided at all times.

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