

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO HOSPITAL TRUST ACCOUNTS

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
FRIDAY, 21 DECEMBER 2001**

Members

**Mr D'Orazio (Chairman)
Mr House (Deputy Chairman)
Mr Bradshaw
Mr Dean
Mr Whitely**

Committee met at 8.35 am

VAUGHAN, MR DAVID ERNEST,
Chief Executive Officer, Shire of Kalamunda,
examined:

LANDAU, PROFESSOR LOU,
Physician,
Faculty of Medicine and Dentistry, University of Western Australia,
Crawley, examined:

WEEKS, MR ANDREW CHARLES,
Chartered Accountant,
examined:

McCALL, HON IAN WILLIAM PAYNE,
Retired,
examined:

The CHAIRMAN: I welcome our witnesses to the hearing. Will you please identify the role in which you appear before the committee?

Mr Vaughan: I am here at this stage to support Andrew Weeks, the former Chief Executive Officer of the Metropolitan Health Service Board.

Professor Landau: I appear as the Executive Dean of the Faculty of Medicine and Dentistry at the University of Western Australia and as an ex-member of the Metropolitan Health Service Board.

Mr Weeks: I appear as the former Chief Executive Officer of the Metropolitan Health Service.

Hon Ian McCall: I was the former Chairman of the Metropolitan Health Service Board, and I am here also to support Andrew Weeks, who will give the evidence.

Mr BRADSHAW: Mr Vaughan, what is your position with regard to the Metropolitan Health Service Board?

Mr Vaughan: Former member of the Metropolitan Health Service Board.

The CHAIRMAN: The committee is a hearing of the Parliament and warrants the same respect that proceedings in the House itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you completed the "Details of Witness" form?

Mr Weeks: I have, yes.

The CHAIRMAN: Do you understand the notes attached to it?

Mr Weeks: I do.

The CHAIRMAN: Did you receive and read the "Information for Witnesses" briefing sheet regarding giving evidence before parliamentary committees?

Mr Weeks: I did.

The CHAIRMAN: Have you made a formal written submission?

Mr Weeks: I have simply written requesting a hearing at this committee. I have no other submission at this stage.

The CHAIRMAN: Would you like to make any statement to us before we start?

Mr Weeks: Firstly, could I clear up one issue: am I correct in my understanding that the proceedings in this committee are covered by parliamentary privilege?

The CHAIRMAN: Absolutely.

Mr Weeks: Mr Chairman, thank you very much for the opportunity to address the Public Accounts Committee. I have looked at the committee's terms of reference and would recommend that the committee ask Mr John Burns, the chief executive of Fremantle Hospital, to provide expert witness evidence on four of the committee's terms of reference; namely, the nature and purpose of trust accounts; sources of funding; use, administration and management of trust accounts; and statutory requirement, accountability and compliance. The reason I offer John to the committee is that he has 25 years' experience in both the finance and general management portfolios in the hospital system in Western Australia, and he probably knows more about the system than anybody else does.

Adverse criticisms have been made to this committee that I feel obliged to answer on behalf of myself and my colleague board members. The committee's terms of reference relate, in the main, to the use, administration and management of trust accounts, and the potential liabilities to the health system from trust accounts. The committee should hear the facts from me first-hand about the action either I or the board took in regard to the criticisms expressed to this committee.

I would like to put five points to the committee. First, it has been suggested that the board provided no support to Mr Moodie, that it sought to undermine his investigations and inquiries, that Mr Moodie was removed from his job because of the inquiry into trust accounts, and that the proposition that he was removed because of his management style was the excuse. Secondly, it has been suggested that the board attempted to cover up the issues related to the operation of trust accounts. Thirdly, it has been said that the board behaved improperly over the Whiteman trust funds that were used to fund, in part, the Megazone. Fourthly, it is alleged that the board did nothing about the alleged illegal action in trust accounts, and no action was taken to rectify those issues with the King Edward Memorial Hospital for Women and the Princess Margaret Hospital for Children audits and trust accounts. Fifthly, it is alleged that board members sought to have audit evidence destroyed. Finally, I would like to make some comments about Mr Moodie's legal expenses.

Mr Chairman, my evidence is based on data drawn from my personal files at the time I was the Chief Executive Officer and board member of the Metropolitan Health Service from recent media coverage, and from the opportunity to review the transcript of Mr Moodie's evidence, which was available on the parliamentary web site. It is my intention, with your permission, to table copies of the documents from which I have drawn my evidence as we cover each of these items. They include extracts from board papers, board minutes, ministerial briefing notes and copies of my outgoing correspondence. I will also provide the committee, should it so desire, with the names and roles of others who were directly involved in these issues and from whom the committee may wish to seek further evidence. That concludes my opening statement. Mr Chairman, would you like me to address those five areas that I have identified, or would you like me to answer your questions?

The CHAIRMAN: We will go through the five issues you mentioned one by one, and I am sure the committee members will ask you some questions about them. After that, we will ask you other questions.

Mr Weeks: When we conclude the first item, I would like to table these papers.

The CHAIRMAN: Those papers will be tabled. Would you like them to be incorporated as part of the evidence?

Mr Weeks: Yes, please. The first issue is the notion that the board provided no support to Mr Moodie, that it sought to undermine his investigations, that he was removed from his job because of the inquiry into trust accounts, and that his management style was just an excuse. I draw the

committee's attention to the transcript of Mr Moodie's evidence on 7 November, at page 1. I quote -

My employer at the time, the Metropolitan Service Board, provided me with no support in these matters, either publicly or privately. I believe it sought to circumvent those investigations and inquiries, with a view to holding me personally accountable for those matters.

On page 3, he continued -

There were two contemporary issues at the time: one was the clinical issues at King Edward Memorial Hospital . . . The other issue was trust accounts. They were two issues that were being looked at under the auspices of the Metropolitan Health Service Board.

Mr HOUSE: We are aware of that evidence. We have been sitting here for days listening to that. We do not need it repeated. Will you make your evidence concise and get to the point? This is not an investigation about Mr Moodie; it is an investigation into the trust accounts and how they operate. We are obviously interested in your evidence, but we are not interested in a personal dissertation about what you might think of Mr Moodie or he might think of you.

Mr Weeks: I will respond to that. I have no intention of giving my opinion of Mr Moodie. Allegations have been made to this committee, and publicly distributed to the Press, that allege misdoings by the board. My intention is merely to provide the committee with the context of the issue. I will now provide the committee with a chronology of, and the backup to support, the work that was done by the board. My views on Mr Moodie will not be made known to this committee at all. I have been required to provide the committee with facts. I intend to do that. The committee will not get opinions from me unless they are specifically sought.

The CHAIRMAN: Continue.

Mr BRADSHAW: No, I support what Mr Weeks is saying. If allegations are made, surely they should be able to be rebutted in this forum.

The CHAIRMAN: Absolutely. We will give you some leeway, but we want you to stick to the point.

Mr Weeks: Thank you. I have prepared a chronology related to this issue. Twenty-one items are on it. Those 21 items are all included in those papers that will be tabled.

The CHAIRMAN: Are they matters that you undertook to do? Is that what those matters represent? What are these matters?

Mr Weeks: This is a chronology of what we did and how the whole issue unfolded. The proposition put to this committee was that Mr Moodie was sacked from his job because of his management style or his investigation of trust accounts, and that he was not supported by the board. I refute that, and I would like to have the opportunity to give the committee the evidence that those allegations are incorrect and not supported by fact. The chronology in those papers includes 21 items: correspondence with Mr Moodie, with the clinical staff and with the minister and the Commissioner for Public Sector Standards; and ministerial briefing notes, file notes and board minutes. They cover the period July 1999 to October 2000. A special subcommittee of the board was established to work with Mr Moodie on the issues at the King Edward Memorial Hospital. This subcommittee met 11 times in the period mid May to October 2000 to provide active support to him and his staff through the change processes arising from the Child-Glover report and the King Edward Memorial Hospital inquiry.

Mr DEAN: Once again, is this to do with trust accounts?

Mr Weeks: It is to do with the issue that I raised; that is, the allegation that Mr Moodie was dismissed from his job because of his inquiry into trust accounts. That is the allegation that was made.

The CHAIRMAN: Continue.

Mr Weeks: Maybe I will cut to the chase, rather than give you the detail.

The CHAIRMAN: That is what we want. We are happy to take that evidence, but, in the end, we want to know what has happened to these trust accounts.

Mr BRADSHAW: We must be fair, because Mr Moodie got a full hearing before the committee, and he said what he wanted to say. Now you are trying to circumvent what this person is saying. I think it is wrong to keep cutting in on him and saying that he cannot do such and such.

The CHAIRMAN: I am not doing anything; I am just saying that it would be better for Mr Weeks to paraphrase what he is going to tell us.

Mr Weeks: Okay.

The CHAIRMAN: Previously, we had one witness who spoke for an hour on chronology, and, in the end, the evidence was of minimal value and was presented to us in a form that we could have looked at ourselves. If you want to tell us about specific things, please do so.

Mr Weeks: Suffice it to say, the papers I have tabled will demonstrate that Mr Moodie did have a considerable managerial style problem. He was supported by the board. The chairman, with the express support of the minister of the day, established two executive committees to work with Mr Moodie and chaired the opening sessions of those committees. The Health Commissioner and I also worked directly with the clinical staff to try to assist Mr Moodie through that process. At the time Mr Moodie was stood down, which was on Friday, 29 September, we understood after a briefing from the minister that Michael had accepted there was an impasse, he would place his interests to the hospital ahead of his own, we would express support for him and he would take leave. Some five days later it was necessary for the chairman of the board and me to write a letter to the minister expressing concern, because the briefing subsequently from his office disputed those facts. The point I wish to make here more than anything else is that Mr Moodie was stood down from his job after he reached an agreement with the Minister for Health, and the Minister for Health communicated that agreement to us.

I would also ask you to note that I would like to table a document from Dr Beresford, the acting chief executive of King Edward Memorial Hospital. That document was his first briefing to the board after taking over the position at that hospital for three weeks. It is quite explicit about the managerial environment which he inherited. I would suggest that when the committee has had the opportunity to read those two sets of documentary evidence it will find that the facts demonstrate that Mr Moodie's difficulties with King Edward Memorial Hospital commenced with a rather clumsy dismissal of three executive directors in, I think it was, May 1999 and ultimately culminated with him agreeing with the Minister for Health that he would stand down.

The CHAIRMAN: Is there anything else you specifically want to tell us about that?

Mr Weeks: There is a lot of stuff on that issue that I feel a number of your colleagues may think is not worth listening to. There is a chronology.

The CHAIRMAN: Are there any specific things you want to highlight to us about the process, because I want to ask you a few questions about those processes?

Mr Weeks: Maybe the answer is for me to answer your questions.

The CHAIRMAN: Some of the things that worry me in relation to some of the evidence we heard from Mr Moodie was that you were allowing the clinicians to take one role and were basically putting a clamp on him not being able to say what was occurring.

Mr Weeks: I instructed Mr Moodie not to speak to the Press. That was completely consistent with the board's media policy which was circulated among all senior staff. The reason I did that was that at that point every time Mr Moodie was speaking with the Press he was being attacked very

strongly. Rather than Mr Moodie defending himself, that position was taken up jointly by me, the Premier and the minister of the day - the three of us put out press releases at the time on behalf of Mr Moodie, supporting him. The only time I have instructed or agreed that the clinical staff could make a press release - I did it once at King Edward at the time of the Glover review and I did it once at Princess Margaret Hospital for Children at the time of this attack on Mr Moodie, and I must say a vicious and in some ways unwarranted attack - I asked both the clinical staffs, or agreed they could make a press release if it was to support the good name of the hospital and the services provided by the hospital, because the disputes at that time in the media were bringing the services of the hospitals into disrepute, which was inappropriate.

The CHAIRMAN: You also told the clinicians not to make any more public comments?

Mr Weeks: The clinicians were instructed that they could make a press release supporting the good name of the hospital and the quality of the services that were being provided. That is the only area they were instructed to make a press release about.

The CHAIRMAN: But that is not what happened.

Mr Weeks: That is very true. Indeed, the managerial control over that lay with the chief executive of the hospital, and the fact of the matter is that the Clinical Staff Association has been quite callous in its use of the media. They say what they like and appear to be able to get away with it and get good coverage.

The CHAIRMAN: From the point of view of the issues it seems to be all one way, and you were putting a clamp on one side of the equation.

Mr Weeks: I stopped Mr Moodie speaking because he was being attacked, and at the same time I made a press release, as did the Premier and the Minister for Health. The three of us went out to support Mr Moodie at that time.

Mr DEAN: A while ago you mentioned you had a letter from the Minister for Health saying that he had an agreement with Mr Moodie to stand down, and you replied to the minister disputing the facts in the minister's letter. What were the points of dispute between you and the minister for the standing down of Mr Moodie?

Mr Weeks: I will read the letter and the attachment -

Dear Minister,

MICHAEL MOODIE

We are faced with inconsistency over the details of the arrangements that were entered into with Michael Moodie on Thursday 28 September 2000. We both received telephone briefings from you on Thursday evening advising the following:

- Michael accepted that there was an impasse;
- He would place the interests of the hospital ahead of his own and stand aside;
- Government would express support for Michael and the desire for him to continue to participate in the WA health sector;
- Michael would take leave over the next few weeks to provide time and space to consider his options.

These statements are consistent with the press release made by Government that evening In addition you requested that . . . the chairman write a letter of appreciation of Michael's decision -

to stand aside. To continue -

The attached papers were received from your office on Friday afternoon -

That is the previous Friday -

which either reflect a totally different agreement or are inconsistent with your briefing and the Government's subsequent press releases.

Please confirm which is correct to enable us to properly continue negotiations with Michael Moodie.

Included in your papers dated 29 September is a fax from the Minister for Health's office under the name of Dr Glen Power, his chief of staff, and Alan Bansemer, the then Health Commissioner. The attachment reads -

Following a discussion with the Minister, Mr Moodie agreed that subject to the Board:

- providing a letter indicating that they saw no fault in his management, and this letter being to his satisfaction
- providing details of the options available to him, namely:
 - a position to develop an integrated clinical service for women's and children's health
 - a position in the Health Department of adequate seniority and status
 - conditions of his severance.

... he accepted the Board's view that it was in the interests of the hospitals that he stand aside ...

The media comment that was drafted for advice to the West Australian newspaper ... the essence of which was indicated by phone by the Minister to Andrew Weeks, Ian McCall and Mr Moodie, should be interpreted in view of the foregoing.

We did not know whether we were coming or going.

The CHAIRMAN: At that point you are saying to the minister that Mr Moodie was employed by the board.

Mr Weeks: That is right.

The CHAIRMAN: So you were the ones making the decisions.

Mr Weeks: Our line of reporting to the owner of the business was through the chairman to the minister.

The CHAIRMAN: I understand that, but you are the employer, you are the responsible authority given the power, and you are saying to me that this was no longer your responsibility.

Mr Weeks: No, I did not say that, Mr Chairman. I am saying that on the evening of 28 September the chairman and I were both telephoned at home and advised of the deal or the accommodation that had been reached between Mr Moodie and the Minister for Health.

Mr DEAN: Who telephoned?

Mr Weeks: The minister telephoned me and he also telephoned the chairman.

The CHAIRMAN: But the minister has no power to do that; you and the board have to do that.

Mr Weeks: I can only give you the facts, Mr Chairman. The following morning I stood Mr Moodie down.

The CHAIRMAN: You are saying you stood Mr Moodie down, not the minister?

Mr Weeks: I stood him down.

The CHAIRMAN: On what basis?

Mr Weeks: On the basis of the deal that had been struck between the minister and Mr Moodie the previous evening.

The CHAIRMAN: You just said to him, “Go and take some leave”, did you?

Mr Weeks: That was the intention, and that during the period of leave his future would be sorted out, either elsewhere within the Metropolitan Health Service or a position in the Department of Health. In the event, he accepted a position in the Department of Health.

The CHAIRMAN: If that were to happen, you would still have to negotiate that yourself.

Mr Weeks: Yes, I would.

The CHAIRMAN: He is employed by the Metropolitan Health Service Board; you would have to make those decisions. Why did you not have a deal with him directly? Why did you not sit down and say, “Let’s negotiate what we are going to do here”, and then do it?

Mr Weeks: Because I could not get him to talk to me. He would speak to the minister and he would speak to the Health Commissioner. In fact, on 24 October, again a briefing to the minister in the papers I have provided, the last statement is -

Michael’s unwillingness to deal openly and directly with the MHSB has and continues to hamper progress.

The CHAIRMAN: When you say you stood him down in the morning, what was the reaction you got from Mr Moodie?

Mr Weeks: I do not think Mr Moodie was in the slightest bit surprised. He then turned up at the hospital. A letter was brought through to us by his lawyers saying he had not agreed to stand down and that he was ready, able and willing to continue at work and would do so.

The CHAIRMAN: That put you in a very ticklish position, did it not?

Mr Weeks: I stood him down.

The CHAIRMAN: On what basis?

Mr Weeks: I was responding - I go back to the evidence I previously intended to provide to you, Mr Chairman. On Thursday the 28th of the month, September, the board held a special board meeting. That was the evening after that board meeting when Mr Moodie met with the minister. I will give you the extract from those minutes -

The Chairman advised that the meeting had been called as a result of the concerns concerning the management style of the CE

That was Mr Moodie. I briefed them that on the previous day that I had had an off-the-record session with Michael and talked about the pressure building up on him and we discussed what his options were. My understanding from that session was that Michael as a choice would like to go to the Department of Health. When we were briefed by the minister later that night that Mr Moodie was to stand down, that is precisely what we had expected to occur and would smooth a process that would see Michael move from the Metropolitan Health Service to the Department of Health. Unfortunately, the track from then on in was somewhat rocky.

Mr HOUSE: Who actually made Michael Moodie’s appointment?

Mr Weeks: The appointment was made before I was appointed to the board, but consistent with my appointment the chief executive appointments in the tertiary hospitals were all made by a selection committee of board members, I believe supported by some other senior bureaucrats.

Mr HOUSE: Are you aware of who was on that selection committee?

Mr Weeks: No, I am not, but I am sure that if the question was addressed to Mr McCall he would be able to answer it.

Hon Ian McCall: Yes, we were instructed by the then minister to proceed to fill all the vacancies, because there were acting positions at Royal Perth - so we had Royal Perth, Fremantle, King

Edward and PMH. The board appointed a selection committee. It also employed headhunters, as they are called. We went through that selection process for those four hospitals.

Mr HOUSE: Was it a rigorous process ?

Hon Ian McCall: Yes, it was.

Mr HOUSE: Were you a member?

Hon Ian McCall: I was a member. I am trying to remember -

Mr HOUSE: Who chaired it?

Hon Ian McCall: I did. I think it comprised the commissioner, Alan Bansemer; Graham McEachran; and Judith Adams. The committee comprised two outsiders and three board members.

Mr HOUSE: I am trying to establish why Mr Moodie has been the subject of so much criticism. I am not passing judgment on that criticism. He went through a rigorous appointment process, and had held similar positions in other States. He must have had the support of the selection committee; otherwise he would not have got the job. He arrived, and ran into a bucket of criticism from almost everybody he bumped into. I find it extraordinary that he got through the selection process if he performed in the way that has been intimated.

Hon Ian McCall: It was not apparent to the selection committee.

Mr HOUSE: Obviously.

Hon Ian McCall: I can say only that. We were having difficulties. The public sector requirements meant the selection process took a long time, and one or two of the people we were going to appoint withdrew their applications and took positions elsewhere. It was not apparent to us that we would run into those difficulties. I support Andrew Weeks' statement that the trust accounts were not an issue in Mr Moodie's secondment from the health service to the Department of Health. It was a management issue.

Mr HOUSE: The process to appoint him was rigorous. The board employed headhunters. You, Hon Ian McCall, chaired the committee. He came here with the full support of that committee. The moment he started asking a few question about a few things, he was opposed by everybody. I find that very interesting.

Hon Ian McCall: He was not opposed by everybody. The board supported him as much as it could. We received criticism of the management style from the clinicians, and we discovered that Mr Moodie had dismantled the normal hospital management structure, which is a hospital executive council that is inclusive and representative. That was no longer meeting and, therefore, everybody felt excluded. I personally sat down with Mr Moodie and people from both the hospitals and we re-established the hospital executive council. I chaired the first meeting at its request. We settled agendas and the matters that would go before the council, which are hospital internal administrative matters. We did everything possible to try to re-establish a good relationship between the chief executive and the hospital staff.

The CHAIRMAN: Why would Mr Bansemer, to whom you have referred, also comment that he thought the issue related to only the trust accounts and had nothing to do with management style?

Hon Ian McCall: I did not know he made that comment.

The CHAIRMAN: It was along those lines. I did not repeat it verbatim. However, that was the intention. He thought that the trust account issue was the reason Michael Moodie was shifted.

Hon Ian McCall: I can say only that that is not what the board was saying. The clinicians were complaining to us, the minister and, I believe, to the Premier. The hospitals were not functioning properly. The chief executive was offside with the clinical staff. The staff held meetings at which they passed votes of no-confidence. The board was in a terrible position.

The CHAIRMAN: I understand that, but that will always happen when changes are made.

Hon Ian McCall: Yes, but we supported the changes.

The CHAIRMAN: What changes did you make in relation to trust accounts? There appear to have been none until a month ago.

Hon Ian McCall: That is quite incorrect. Mr Moodie did not know what the board was doing about the trust accounts. When the board was finally satisfied that the audits were credible, it acted immediately. I read the criticism that nothing was done about the administration of the trust accounts. The board's director of finance was immediately instructed, and employed Arthur Andersen in October. It designed a plan for the proper future administration of trust accounts, which was then sent to the four major teaching hospitals. At that stage, my board was replaced by the minister, who delegated to the commissioner. As far as I am aware, nothing further happened. According to Mr Moodie, nothing happened.

Mr Weeks: This is the fourth item on my list.

Hon Ian McCall: This is covered in our submission. This is the sort of criticism that is unfair to the board. We have noted that criticism in the evidence, and the board is entitled to be heard on and respond to it.

The CHAIRMAN: Absolutely.

Mr Weeks: The second issue I want to address is the proposition that the board covered up the issues relating to the audit of trust accounts. That proposition needs to be reconsidered in the light of the final report the board received on the trust accounts, which is dated 13 November. This is an Ernst and Young document that the committee already has. Page 5 reads -

The draft report was to be finalised under different circumstances arising to a change in the operating environment due to:

- the review falling under the direct management of the Chief Executive Officer of the MHS;
- a new Acting Chief Executive at the hospital;
- access to relevant clinicians;
- access to documentation previously not available;
- clinical support being provided to work through the issues with key clinical auditees;
- medico legal support from Royal Perth Hospital to assist with the audit and interpretation of allowable Medicare scheme; and
- removing previously imposed restrictions in terms of audit process transparency.

The words of Ernst and Young demonstrate that the board did everything possible to ensure the audit was undertaken properly and without prejudice. That is the opposite of a cover-up.

The CHAIRMAN: I am glad you raised that, because other evidence suggests that the audit committee you set up instructed Michael Moodie to destroy evidence.

Mr Weeks: I would like to comment on that. That is very true. This is item 5 on my list. I am aware from the transcript of evidence that a name was given to the committee in camera. I do not know what that name was, but I intend to name a member of the audit committee, with that person's concurrence. He has no reason to want it hidden. Professor Landau, who is with me today, was an audit committee member. He has had a long professional association as a clinician with Princess Margaret Hospital for Children. Throughout the committee's consideration of the trust account audit reports, he expressed consistent concerns that neither the contract auditors nor the relatively new administrative staff in the hospital had done enough background research to understand the

mechanism of how the trust accounts and the associated agreements worked. In short, he was consistently scathing in his criticism of the quality of the audit and the nature of the findings and recommendations. As the Metropolitan Health Service Board had suffered a series of damaging leaks of sensitive documentation, most notably to Paul Murray's radio program and *The West Australian*, the subcommittee determined that all copies of sensitive documents should remain in the Havelock Street offices of the board and be destroyed. However, as is evident from the records of the board, the original copies were properly maintained on file, as would be expected. I have spent 30 years in the workplace, mainly in the area of finance or general management. I have considerable experience of working on boards. I have neither heard anyone from the Metropolitan Health Service seriously suggest that original documentation should be destroyed, nor have I ever been asked to participate in a motion to that effect. I totally reject the proposition that board members asked for original documentation to be destroyed.

Mr DEAN: I find that an extraordinary admission. You destroyed non-original documents on the pretext that not enough background information was gathered in compiling them. I find it mind-blowing that you can take the intellectual position to keep original documents but destroy copies.

Mr Weeks: I may be misunderstood.

Mr DEAN: I hope so.

Mr Weeks: We were faced with a situation in which documents were being leaked to the Press and causing damage to the Government of the day. We had a very sensitive document that was received by the audit committee and retained as part of its minutes. It was copied a number of times so that the people in the room could consider and debate it. We then collected those copies and had them destroyed, simply because we did not wish to run the risk of the document being leaked to the Press at a time when it had no status.

The CHAIRMAN: We will obviously investigate this further and check other witnesses' versions of what happened. I will not name anybody here, but I am sure it will come out in due course. I find it absolutely unbelievable that because of concern that the media might get hold of something, you would destroy documentation that could help the process.

Mr Weeks: We destroyed copies of the document.

The CHAIRMAN: Despite whatever you would like to tell me, I would have thought that as soon as that was highlighted as an issue, you, as chief executive and administrator, would have put some processes in place to stop it. Whatever those accounts are, they certainly need control. They are not trust funds. There are no processes. You, as chief executive, should have immediately done something about it before more reports or documents were sent to anybody. You should have gone to your staff and said that it had to be fixed immediately.

Mr Weeks: I did, and I will demonstrate that shortly. Again, I am not sure whether I have been misunderstood on this. The audit document was received and considered by the audit committee. It was acted upon responsibly. We made sure there were no loose copies of this document floating around the organisation. I believe that in that context, we acted in the best interest of the board, the members of that committee and the Government.

Mr HOUSE: I go back to something you said previously. I want to be clear about this, as I might have misheard or misunderstood you. Did you say that Professor Landau said that the report of the audit that was before the committee had no credibility because the auditors did not understand how trust accounts worked?

Mr Weeks: That question would be better addressed to Professor Landau. My understanding -

Mr HOUSE: Is that what you said?

Mr Weeks: That is what I said.

Mr HOUSE: You have given that as evidence.

Mr Weeks: From my perspective, Professor Landau's position was one of scathing criticism because the auditors and the administrative staff, who were relatively new, showed a lack of understanding of the detailed model under which these schemes were working. That is the evidence I gave.

Mr HOUSE: Professor Landau, as a professor of medicine, were you questioning the capability of the auditors?

Professor Landau: No.

Mr HOUSE: Can you explain what Mr Weeks means?

Professor Landau: He was referring to the fact that during those committee meetings, I raised the issue that the auditors were not adequately informed because the instructions given to them by Mr Moodie gave them access to only limited information, and prohibited them from talking to anyone who was in the organisation and involved and who could inform them fully. I have been in that organisation for at least a decade. We discussed the establishment of the trust accounts with the State Government, the federal Government, the Department of Health and Aged Care in Canberra and the Health Insurance Commission to try to establish a process that was acceptable and legal. We failed to get adequate responses from anyone, because it is one of those difficult areas in which there is a potential conflict between the state and federal Governments in relation to funding. Practices are undertaken in all hospitals in every State, and we tried to get one that was relevant, appropriate and legal in Western Australia. The auditors had none of this background information. I requested that they be fully informed before we released the final document that could be of value to the community.

Mr DEAN: You are talking about one specific part of the scope of an audit. You are talking about the commonwealth-state relationship. That is only one part of our worries. The use of some of these trust accounts as so-called private bank accounts, rather than as designated trusts, is particularly worrisome. Surely the auditors, as practising accountants, would have the experience to know whether something has left an audit trail that is beyond reproach. Surely you are not questioning that?

Professor Landau: I am not questioning that.

The CHAIRMAN: You said that Michael Moodie stopped the auditors getting access to information. Is that what you said?

Professor Landau: That was my understanding, yes.

The CHAIRMAN: Do you have evidence of that, because that is fundamental to the equation? The auditors would have access to all information. You made the comment; can you tell me how and where that action occurred?

Professor Landau: On the basis of Ernst and Young's final report. It indicated that it was instructed as such.

The CHAIRMAN: However, you are saying that it was Michael Moodie. There is a big difference. Who gave that instruction? Do you have information that it was Michael Moodie?

Mr Weeks: I can shed some light on that.

The CHAIRMAN: No. Professor Landau made a comment in evidence, and I want him to tell me whether that is what he said.

Professor Landau: That is what I was informed within the board.

The CHAIRMAN: By whom?

Professor Landau: It would have been from Andrew.

Mr Weeks: Probably from me.

The CHAIRMAN: Mr Weeks, did you tell Professor Landau that Michael Moodie stopped the auditors having access to information?

Mr Weeks: When I took over the process of managing that audit, I advised the board that I changed the access. Again, I refer the committee to page 5 of Ernst and Young's report -

The CHAIRMAN: No. You just said that you told him that Michael Moodie stopped that access. I want to get this clear. What evidence do you have that he stopped access? Auditors do not allow that to happen, because if they are not satisfied -

Mr Weeks: With respect, Mr Chairman, in this case they did. This is an internal audit, not an external audit. An internal auditor is bound by the remit that is given; an external auditor does not have that. The first two reports of the audit - the June and September reports - were done by Ernst and Young under instruction from Mr Moodie. He was the principal. He conducted those audits and, consistent with the rules of the board, he brought the audit results to the audit committee of the board. When Mr Moodie was stood down at the end of September, I wrote to Ernst and Young on 3 October advising the company that I had taken over the management and accountability of those audits. In fact, Michael indicated to you in evidence that I took on personal accountability for those issues. The third report - the one I indicated to you before - is the report that arose after I took over the management of the audit. In that report Ernst and Young makes it clear that it now had access to relevant clinicians and documentation not previously available and that previously imposed restrictions in terms of audit process transparency have been removed. That is good enough for me to turn around to the board -

The CHAIRMAN: I am trying to make a point. Who made the restrictions? You are saying that Michael Moodie did.

Mr Weeks: I took off the restrictions.

The CHAIRMAN: I am trying to establish whether Michael Moodie did this, because you are saying that.

Mr Weeks: He was the principal; he was the instructing officer.

The CHAIRMAN: Did he give instructions to the staff that this process was to be protected?

Mr Weeks: He set the rules about how the audit could be done. I set the rules on how the audit should be done, which led to the third report. In the third report, Ernst and Young explains why its conclusions are different. It is because it has access and previously imposed restrictions have been removed.

The CHAIRMAN: The comment made was that it was Michael Moodie. I am trying to establish that. We will ask the auditors to appear before the committee, and I will ask them the same question. I want you to understand the basis of this question.

Mr Weeks: I understand that entirely.

The CHAIRMAN: It is very important to the end result.

Mr BRADSHAW: If Mr Moodie was so keen to get to bottom of the trust accounts, why would he have restricted the auditors' access?

Mr Weeks: I cannot answer that. That is a question you will have to ask of Mr Moodie. I could express only an opinion, and I think that would be inappropriate.

The CHAIRMAN: Continue.

Mr Weeks: I will touch on the issue of the proposition that the board did nothing about the alleged illegal action in the trust accounts and it did nothing about the outstanding audits. Again, Mr Moodie, in his testimony, indicated to this committee, despite personal assurances from me, that I would take responsibility of fixing it. I will go through the data I have brought with me, and I table

this document. The chronology covers 25 items in the period from March 2000 to February 2001 - February 2001 was when the board and I were stood down - and includes correspondence with Mr Moodie, file notes, ministerial briefings, audit committee minutes, board minutes, special board committee minutes and ministerial briefing papers. The initial audit of the trust account at Princess Margaret Hospital for Children had been appropriately commissioned by Mr Moodie, albeit with restricted terms of reference. On receipt of the first report, dated June 2000, the audit committee concentrated on the major finding that led to the recommendation, suitably supported by a legal opinion, that the issue should be reported to the Health Insurance Commission, the Anti-Corruption Commission and the Australian Taxation Office. The key issue around that entire audit report was the proposition that public patients had been billed to Medicare. That is the illegal act that Michael Moodie has correctly brought to your attention. The auditors were asked whether they had evidence on file to support that claim. Their response was that it was anecdotal evidence only. They were correctly requested to undertake more work to either provide admissible evidence to support the finding or withdraw the proposition. The second report, dated September, was supported by documentary evidence that was generated only by the Princess Margaret Hospital internal information technology system. No third party documentation was provided whatsoever.

Mr BRADSHAW: With regard to public patients being charged to Medicare, was that by salaried doctors or visiting medical practitioners?

Mr Weeks: In the main, they would have been people who worked on a sessional basis at the hospital. They would be part-timers on a salary, but on a reduced salary because they were part time. Visiting medical practitioners in the main work in the secondary hospitals rather than in the teaching hospitals. In the main, they were not full timers.

Mr BRADSHAW: If they charge to Medicare, do they collect the money and get paid a salary at the same time?

Mr Weeks: Yes, they do. For example, a doctor who worked 10 sessions in a week and who worked five sessions in the public sector would have a salary for half the time. For the other half of the week, the doctor would be self-employed in his own private business. He may or may not conduct some of that private work in a metropolitan health service hospital.

Mr DEAN: Even with what you perceive as a restricted audit process, you came up with the finding that it should be referred to the ACC.

Mr Weeks: Yes. I spent 10 years of my life as an auditor. I understand the process that one goes through during an audit and I understand the protection that an auditor needs. I probably was as well placed as anybody on the board to ask relevant questions. The question that was asked was: do you have evidence on your file to support this core proposition? The view that was put to us by Ernst and Young was that it was anecdotal evidence only. A month or so later, in the September report, it was supported only by internally generated documentation. However, the board at that time - I refer you to the audit committee minutes of 21 September - sought crown counsel opinion on what to do about that report and prepared draft correspondence with HIC and instructions to the other hospital managers about the management of trust accounts pending the outcome of that advice.

Mr HOUSE: Are we talking about the same audit report?

Mr Weeks: There are three.

Mr HOUSE: Is this the one you have just referred to?

Mr Weeks: No. The first report said to take it to HIC, the ACC and the ATO.

Mr HOUSE: Is this the second report?

Mr Weeks: The second report said to take legal advice to see whether there is a need to refer it to the HIC and the ACC.

Mr HOUSE: To be clear, is this the audit report in which you had removed by your instruction -

Mr Weeks: No, Michael was still at King Edward Memorial Hospital and this audit was done under his management.

Mr HOUSE: Excuse me for being a bit confused, but there are many reports. I agree with what Mr Bradshaw said; I cannot reconcile in my own mind from a commonsense point of view how Mr Moodie would have arrived at this position, having put restrictions on the report. It does not make sense to me.

Mr Weeks: I agree with you. As the chairman has already suggested, that issue will be addressed to Ernst and Young, and I suspect you will have another chat with Mr Moodie. They are the right people to ask about that. All I can say is that from my perspective, when I took over the management of that situation, in which we had gone from an allegation of almost global fraud to "we think you should take advice on whether or not there is a problem", we opened up the access and provided appropriate expertise from other hospitals to assist with the technical issues, including the things Lou Landau was alluding to, such as the complications of these agreements with Medicare, and we provided a doctor with a legal background to work on secondment to Ernst and Young. Then the recommendations and the findings fundamentally changed.

The CHAIRMAN: The bottom line is: were these funds charged to Medicare or not? You have given us all the glossy terms. Were the funds charged?

Mr Weeks: At the end of the day, the final report found that there was not major fraud in the system at all.

The CHAIRMAN: That is not the question I asked you.

Mr Weeks: It found that in the post-1997 era, two accounts had received income from Medicare.

Mr DEAN: What were they?

Mr Weeks: One was orthodontics and the other was the diabetes clinic. Ernst and Young was uncertain from its inquiries whether they were or were not appropriate and the board reported that issue to the HIC.

Mr BRADSHAW: Has the HIC followed that up and given a response?

Mr Weeks: The HIC was involved at the time I was stood down at the beginning of this year.

Mr BRADSHAW: You do not know what has happened.

Mr Weeks: I do not know the outcome. I will bring to your attention the briefing paper to the minister dated 7 December. It was the day the board received this final report.

Mr DEAN: Is that 7 December last year?

Mr Weeks: Yes, 7 December 2000. My briefing to the Minister for Health on 7 December states -

Please find attached a copy of the final report . . .

I have also attached a copy of the letter that has been forwarded to the Health Insurance Commission . . .

In terms of exposure, it is possible that in the pre-1997 (pre-MHSB) days that inappropriate transactions were billed to Medicare.

In the post-1997 era, only two accounts were operated which attracted revenue from that account. It continues -

My expectation is that the HIC will take up our invitation to have further discussions with the hospital and our internal auditors although I will be surprised if either the hospital or the Government is faced with any material exposure from this issue. In conclusion, it is regrettable that the terms of reference given to the internal auditors in the first instance were

sufficiently restrictive as to preclude them accessing both appropriate records and the clinicians. In turn this led to unsustainable conclusions that again have regrettably been made available to the media. I trust that future internal audits will be conducted in a more professional and mature manner by hospital management.

The CHAIRMAN: Are you saying that before 1997 there was far more of this payment of Medicare money?

Mr Weeks: The expression from the auditors was that, going back into history five-plus years, there may have been. They were not specific. They simply said there may have been. They did indicate that in the pre-1997 era more accounts were able to attract Medicare benefits.

The CHAIRMAN: It did occur?

Mr Weeks: It did occur.

The CHAIRMAN: Let us get to the issue of the rest of the trust accounts. We have dealt with Medicare but what about all the other problems with trust accounts in which there is no accountability and the principals of the accounts - the beneficiaries - have the ability to approve expenditure without processes or formal structures. You have told us how wonderful your qualifications are in respect of auditing -

Mr Weeks: Yes.

The CHAIRMAN: A report from 1996 stated problems with trust accounts. How come nothing has happened?

Mr Weeks: In my opening statement I requested that you seek evidence from Mr John Burns. The reason I did that is twofold: firstly, he is probably the most knowledgeable individual in the system on trust funds -

The CHAIRMAN: You can tell me all that. Just tell me why you did not actually do something.

Mr Weeks: With respect, the chronology I have presented shows that we did quite a lot. As the chairman has already indicated, as soon as we became aware that there was a process problem we gave instructions to the hospitals. I did not directly go out and go hands on with this stuff; I had 20 direct reporters, four of whom were extremely highly paid chief executives in the hospital system and I could reasonably expect that they would undertake their jobs properly. I think you will find when you speak to Mr Burns that, during his time at Royal Perth Hospital and subsequently at Fremantle Hospital, there were few difficulties with trust accounts. That was the second reason why I thought it would be helpful for you to talk to him, because he can give you chapter and verse on managing the trust accounts from a hands-on perspective. He has been a line officer who has done it day in and day out. Mr Moodie has brought to your attention the fact that, under his management at Princess Margaret Hospital for Children and King Edward Memorial Hospital, he found that there were holes in the control system. I am not sure if he told you what he did about it.

The CHAIRMAN: In relation to what he did about it, he was suspended.

Mr Weeks: No, he knew about the problems in that hospital for some considerable time before that. I would like, if I may, to table a letter by way of evidence. It is a letter addressed to King Edward Memorial Hospital and is from Michael Blake, the chief financial officer. It relates to an omnibus set of audit reports received in March on King Edward Memorial Hospital. It reminds the chief executive of his obligations in terms of managing the control procedures and following up on audits. The accountability to manage the system in the hospital lies with the chief executive.

The CHAIRMAN: That is if he is allowed to do it.

Mr Weeks: Mr Moodie was always supported by the board. In fact, Mr Moodie had more support than any other chief executive in the system. He had the chairman buddying him; he had Professor Landau supporting him for a considerable period of time; he had Dr McCotter assisting him. None

of the other chief executives needed that support. Mr Moodie was supported right the way through to the day he was stood down.

The CHAIRMAN: In relation to actual processes at Princess Margaret Hospital for Children, nothing happened until last month.

Mr Weeks: Ask Mr Moodie why he did not do anything. He was the accountable officer in that institution.

Mr HOUSE: Prior to Mr Moodie starting work, although I cannot remember when that was -

Mr Weeks: I think it was February 1999.

Mr HOUSE: Prior to that date, did you or any board members have any concern about how trust accounts were operating?

Mr Weeks: I joined the Metropolitan Health Service after Mike, I came here in May 1999.

Mr HOUSE: Was there any evidence among board members or to you as chief executive officer prior to that date?

Mr Weeks: No, the first inkling I had that there was a problem with trust accounts was when Michael, quite correctly, undertook a review of trust accounts as part of his normal process of internal audit.

Mr HOUSE: That is the point I am trying to get to. It is then fair to say that the issue of trust accounts and how they operated and the corrections that have now started to be put in place have all occurred since Michael Moodie came to the view that there was a problem?

Mr Weeks: Yes.

Mr HOUSE: Nothing happened prior to Mr Moodie and everything has happened post Mr Moodie's appointment?

Mr Weeks: Can I be difficult and say the answer to that is yes and no. Yes in terms of Princess Margaret Hospital for Children and King Edward Memorial Hospital; that is correct. Mr Moodie was the accountable officer and he correctly went through a process and started to put these things right. Subsequent to Mr Moodie being replaced at King Edward Memorial Hospital and Princess Margaret Hospital for Children that role has been picked up by Dr Beresford, who again is one of the people I think you should speak to. As regards the other hospitals - and we are really only talking about the teaching hospitals - the chief executives in those hospitals agreed with their internal auditors on an audit plan each year that was advised and approved by the audit committee, and which included periodic reviews of trust accounts. The annual audit of the Metropolitan Health Service hospitals also included a review of trust accounts by the Auditor General. As far as King Edward Memorial Hospital and Princess Margaret Hospital for Children are concerned, the initiation of a more detailed review was done by Michael in his capacity as the accountable officer.

Mr HOUSE: That is a fairly important and crucial point in these discussions.

Mr Weeks: Yes it is.

Mr HOUSE: It seems to me that prior to Mr Moodie, very little was done in those two hospitals - as you pointed out.

Mr Weeks: I am not in a position to tell you what Dr Goodier did in those hospitals during the five years he was the chief executive. I would be very surprised if it was not.

The CHAIRMAN: Mr McCall, what happened prior to Mr Moodie - anything?

Hon Ian McCall: Not that I am aware of. The board had discussions about the business of setting up private clinics at the hospitals so that the hospitals could charge. It is a pity Professor Landau has left because it is common practice in a number of the big hospitals in the eastern States. The question was, why could we not do it here and get the same advantage of commonwealth funds?

The CHAIRMAN: It is a bit different from some of the other funds which are established for a purpose and the approving authority was the same people getting the benefits. It is different from that.

Hon Ian McCall: Yes. I want to make one comment. A fairly critical comment was made by Mr Whiteley about the first of the three audits being returned and destroyed - not the originals. I kept mine and I think the chief executive kept his copy and there was one on the file. We were not satisfied with the first audit that the conclusions were justified. It was quite unfair of the people involved in the audit to allow the audit report to go out while the audit committee and the board were not satisfied with the conclusions. That is why we told them to do some more work on it. In the meantime we did not want it released because the board would expose itself to all sorts of possibilities.

Mr HOUSE: It is the same board that up to that time had made no changes at all.

Hon Ian McCall: It had come to the board's notice from another hospital at about the same time. The board was becoming concerned to do something about it. I cannot say too much about that as it is still sub judice. The board is being taken to court because it acted on what it decided - after the review process was set up within the hospital - which was that a particular doctor had inappropriately used trust funds. He has since returned them to the hospital but the board has suspended him.

The CHAIRMAN: Which hospital is involved?

Hon Ian McCall: Sir Charles Gairdner Hospital. The doctor has sued the board. It is still pending and that is why I cannot say too much. That brought the controls over the use of moneys in some of the so-called trust funds into focus. I agree with you - they are strictly not trust funds but traditionally they have been called trust funds. As far as I can work out, the controls vary from hospital to hospital. Mr Burns will tell you that trust funds come into existence through five different methods. One is someone donating money to a hospital for a particular purpose. Another one is drug companies donating money to hospitals for drug trials - a specific purpose. There are a couple of other ways but I cannot think of them at present. The final way is under the doctors' industrial agreement - the enterprise bargaining agreement that gives doctors the right of private practice. They can either take 16 per cent as a loading on their salary or they can have a limited right of private practice. The hospitals take a percentage of the money earned from that because the doctors are using hospital facilities. A percentage is used for secretarial and administration expenses. A further percentage is taken for something else. I am not an expert in industrial relations but I have had to look at these agreements. The balance is divided between the hospital and the trust account that the doctor can use for the purpose of attending conferences and overseas travel. That is how the vast majority of them come into existence, I think, in the big hospitals. Such a doctor has to get the approval of his head of department to go to a conference and get leave and so on before he applies to use the money. Government policy restricts overseas travel. Permission has to be given at all sorts of levels.

The CHAIRMAN: There is a problem already - there are no formal processes in place to control those accounts.

Hon Ian McCall: There were.

The CHAIRMAN: Who put them in place? Where are they? Show us exactly how they were administered.

Hon Ian McCall: As far as I understand, the processes involved a doctor not being able to just sign his own cheque.

The CHAIRMAN: Are you sure of that?

Hon Ian McCall: Yes, a cheque had to be signed by the hospital.

The CHAIRMAN: Are you sure a doctor could not approve his own expenditure and have it rubber stamped by a bureaucrat?

Hon Ian McCall: That happened in some cases. A doctor would give the account to the finance people and someone high enough up in the system - who could stand up to a senior clinician - did not vet it and ask whether the expense was within the correct terms.

The CHAIRMAN: That is what I am saying. Why would processes not be put in place to streamline the process and make sure that did not happen?

Hon Ian McCall: As soon as we got the final report, which also talked about administration, the board immediately engaged Andersen to prepare a report on what the processes should be. It was sent to the four teaching hospitals to do exactly what you are saying - impose proper controls. At that point, the board was replaced.

The CHAIRMAN: Were you aware of the 1996 Andersen report?

Hon Ian McCall: I have never seen a 1996 report. We came into existence in 1997.

The CHAIRMAN: I understand that but, obviously, there had been some talk around the traps about problems in 1996.

Hon Ian McCall: I did not hear of it and I have never seen the report.

Mr DEAN: The methodology of loading up trust funds has a tax component that is not paid. Money in trust accounts is money generated from private practice that is a result of enterprise bargaining agreements. It seems easier to me to have some other system rather than remit tax-free money to a trust account, which is drawn on by people at their whim.

Hon Ian McCall: Such an enterprise bargaining agreement has to be negotiated with the Australian Medical Association. That is the union with which we had to negotiate. We have had very tough negotiations.

Mr DEAN: If things had been more transparent they would not have led to these problems.

The CHAIRMAN: Do you realise that there may be a tax liability in respect of some of those moneys, as they are salaries? The hospitals may be exposed to a liability.

Hon Ian McCall: Individuals may be exposed as they are getting the ultimate benefit.

The CHAIRMAN: If hospitals pay salaries they must withhold tax for individuals but that is not done if money is transferred to a trust account. Ultimately, the individuals would be responsible.

Mr Weeks: I think that is right. Any tax liability that comes out of this - if the extreme point is taken that those trust accounts could be used to fudge taxation - is an issue between the Australian Taxation Office and the individual doctor in the context of his or her private practice.

The CHAIRMAN: If money is being paid out by the hospital as salaries, it might also bring you a liability.

Mr Weeks: That could be the case. In my time in the Metropolitan Health Service I was far from happy with the industrial agreement that had been inherited. I understand it has been that way for some considerable time.

The CHAIRMAN: I understand, that, but that is the answer the committee gets every time it asks any questions of the bureaucracy - that this is the way it has been done for so long. The question of whether it is right or wrong is not answered.

Mr Weeks: The industrial agreement was not negotiated in my time with the Metropolitan Health Service. Any negotiations with the AMA were conducted by the Department of Health, with some peripheral input from us on the side, though not very much. That has been a consistent problem with this organisation since its inception.

The CHAIRMAN: Were the doctors employed by the board, or by the Department of Health?

Mr Weeks: By the board.

The CHAIRMAN: So, the board was employing, but had no power to negotiate their conditions?

Mr Weeks: We had limited power over that, particularly with the visiting medical practitioners.

The CHAIRMAN: That is another issue altogether. We will come to the VMPs shortly. The committee has no other questions on that topic. Would the witness please continue?

Mr Weeks: I have a chronology of what was done about that audit. We have already touched on quite a lot of it on the way through. I will summarise by saying that the first report was received by the audit committee on 28 July, and a second report was considered appropriate. Documentation was prepared and advice was taken from our legal advisers consistent with the recommendations of the report. When the third report came in November, it was considered by the audit committee and confirmed by the board on 7 December. I have already provided the committee with evidence of the briefing I gave the minister immediately following that. I advised the Health Insurance Commission that there was no case of wholesale fraud, as had been suggested, but that two out of 250 accounts had attracted Medicare income. We invited the HIC to determine whether or not the process that was used was consistent with processes they had sanctioned in other jurisdictions - as this is common practice in other States. I have not heard the outcome of that. I am aware of the fact that the HIC went into the hospital earlier this year, and that Dr Beresford, the acting chief executive officer of the hospital, has worked closely with those people. I am sure he would be in a position to tell the committee what the outcome of those investigations was.

The CHAIRMAN: I have one final question about the Medicare arrangements. You were making a very strong point about criminality and wrongdoing, but I would like you to put that aside for the moment. When you found out that this practice may have been going on, what directive did you give to people for it to cease?

Mr Weeks: As Mr McCall has already indicated to this committee, we sought advice externally on how to provide best practice for the management of trust accounts, and we issued that framework -

The CHAIRMAN: In particular, did you give any direction at all that the Medicare arrangements you thought were questionable should stop. Forget about the criminality and wrongdoing. Once you found out that this practice was occurring, did you give any direction at all to the staff that it should cease.

Mr Weeks: I corresponded with Dr Beresford, who was acting chief executive officer of the hospital. That correspondence is included in the papers I have tabled. He gave instructions about the two clinics concerned.

The CHAIRMAN: Did you, in regard to the general principle of what was happening, say that this was not to happen?

Mr Weeks: No; we did not have evidence one way or another, that that was common practice in any of the other hospitals. We had two examples in one hospital, and the chief executive officer of that hospital took appropriate action at that time.

The CHAIRMAN: What date was on that letter to Dr Beresford?

Mr Weeks: One was written on 26 October.

The CHAIRMAN: I am referring to the letter that says that this activity should cease forthwith.

Mr Weeks: I have not given that instruction.

The CHAIRMAN: You did not give that instruction?

Mr Weeks: I did not.

The CHAIRMAN: In other words, this practice could have continued, even though you were aware it was happening.

Mr DEAN: It did keep going, because a number of my constituents about two months ago were confronted by that letter from the Diabetes Outreach Service which -

The CHAIRMAN: The next question is, why did you not give such an instruction?

Mr Weeks: I draw the attention of the committee to those letters, in particular to one dated 7 December to Mr Kelly of the Health Insurance Commission. The committee will find in those letters that we state that there are two schemes which we understand comply, and we are continuing with those schemes until we are advised to the contrary. Our belief is that they are admissible.

The CHAIRMAN: Why did you not give some direction to your chief executive officer that the board would not accept this sort of conduct?

Mr Weeks: I cannot answer that. I did not instruct the chief executive officer at that time to stop this sort of activity. The view that we had, which I have expressed in writing to the HIC, was that the schemes that were running at Princess Margaret Hospital for Children were within the spirit of the schemes that were deemed to be allowable in Australia. There was no cause to stop them.

Hon Ian McCall: We were waiting for the them to tell us they were bad. If they say they are not bad, the schemes carry on.

The CHAIRMAN: I understand that, but there was some evidence, even earlier, that there was a problem, and one would think -

Mr Weeks: With respect, there was no evidence. There was a proposition that wholesale fraud was taking place, and that the board should make a complaint to the Anti-Corruption Commission, the Australian Taxation Office, and the Health Insurance Commission. That would have destroyed the hospital.

The CHAIRMAN: I understand what you are saying about that, but if I was chief executive officer, and there was even a thought of something like that happening, I would take some action myself, before anyone else came and told me it was a criminal offence. One would think that, as chief executive officer, you would take some steps to remedy the situation.

Mr Weeks: I do not believe there is any evidence that a criminal offence has occurred. That is exactly the point. That first audit report, had this board acted on it, would have presupposed that the mass of doctors were indulging in criminal activities. This board acted very responsibly, and did not take that advice, because there was no evidence to sustain it. By the time of the third Ernst and Young report, there is ample evidence to show that the early recommendations were most inappropriate.

The CHAIRMAN: We will get to the Ernst and Young report later. Would you like to continue?

Mr Weeks: I hope that the evidence I have tabled for the committee clearly demonstrates what the board considered, what I did, and who we reported things to. At the end of this public session, could I trouble the committee for two minutes of an in-camera session, because there are four other issues relevant to this matter that I would like to bring to the attention of the committee?

The CHAIRMAN: The committee will consider that in due course, but I would like first to finish some other questions. Were you involved with the Whiteman estate trust funds and the problems that surrounded it?

Mr Weeks: Yes, I was.

The CHAIRMAN: It has been suggested that this money was given to the hospital and not to the trust fund, and yet the money was given back to the trust fund. On what basis was this done?

Mr Weeks: I have gone through the transcript and produced a chronology of what happened, covering the period June 1999 to August 2000. It includes a briefing for the chairman, correspondence from Mr Moodie, a file note from meetings of the Princess Margaret Hospital Foundation, reports to the board and correspondence with the Auditor General. My report to the board dated 4 November 1999 indicated to the board that two audits had been conducted of the Megazone project by Ernst and Young and they had raised as many questions as they had answered. I indicated that we took independent assistance from KPMG in Canberra. Their brief report, amongst other issues, indicated an unresolved issue about whether Princess Margaret Hospital for Children could legally pass the beneficial ownership of the funds to the foundation, in circumstances in which the bequest specifically states that the board of Princess Margaret Hospital for Children should manage the funds. That issue was taken up with the Auditor General, and my report to the board of 6 April 2000 reported that the Auditor General had confirmed, having studied the will, that the moneys must be reflected in the books of the Metropolitan Health Service, appropriate disclosure standards needed to be agreed with the board, and that, with a view to determine whether the Whiteman bequest was a one-off incident, or was representative of a systemic problem in the books of the foundation, the Auditor General would make appropriate inquiries with the auditor of the PMH foundation. On 7 April, I wrote to the Auditor General confirming that the work done by my office and his office had made significant progress on ways of dealing with the issue. I sought the agreement of the Auditor General to share his instructive letter with the foundation. From my perspective, the issue reached finality in my board report of 3 August, from which I quote -

In previous reports, it has been indicated that there is a need for the Whiteman Funds to be reflected in the financial statements of the MHS and for the Board to ensure that the requirements of the Will are followed.

Both the MHS and PMH Foundation hold legal opinions that sustain their respective opinions.

The opinion of the board was that the funds should be on the MHS balance sheet, and be managed by the MHS. Needless to say, the foundation had completely the opposite view. My report continued -

A compromise solution has been verbally proposed by the Crown Solicitor's office that involves the following steps:

PMH Foundation return the funds to the MHS;

MHS records the transactions in the Operating Statement as agreed with the Auditor-General.

MHS delegates the management of those funds to the PMH Foundation and passes the funds back to them with certain conditions attached that ensure that the Board of the MHS discharges its obligations:

- the Whiteman funds would not attract any management or administration charges;
- they will attract market rate interest which will be added to those funds on an arising basis;
- the funds will be explicitly applied for the purposes outlined in the Will;
- PMH Foundation will account for these funds separately and provide monthly reporting to the MHS on all transactions on the fund;
- MHS has the right to influence the application of the funds consistent with its obligations under the Will.

In summary, the two audit reports undertaken by Ernst and Young were inconclusive. We appointed KPMG to conduct a thorough investigation. Once the facts were known, the proper process was put in place that ensures that the financial statements of the board were correct, the Whiteman funds were transparently managed, good faith was maintained with the hospital's principal fundraiser, and the management action was supported by both the Auditor General and the office of the Crown Solicitor.

The CHAIRMAN: That is great, except that the hospital had just given away \$2 million -

Mr Weeks: It has not.

The CHAIRMAN: Yes, it has. It has given the money to an independent foundation which is not the board. The money was specifically given to the hospital, not to the foundation, and hospital has physically given away \$2 million.

Mr Weeks: We have placed \$2 million with the foundation for ongoing management, with appropriate regular reporting coming back to the board, so that the board can determine how those funds will be used.

Mr HOUSE: Have you ever seen the accounts of the foundation?

Mr Weeks: Personally, I have not.

Mr HOUSE: Have you, Mr McCall?

Hon Ian McCall: Yes, I think I have.

Mr HOUSE: You think you have seen them? Have you or have you not seen them?

Hon Ian McCall: The foundation is a subsidiary of the incorporated body called PMH Inc -

The CHAIRMAN: Is that an incorporated body, with nothing to do with the hospital?

Mr HOUSE: All I am trying to establish is if, in giving the \$2 million to the foundation, you were comfortable, having looked at its accounts, with its administration, income and expenditure.

Mr Weeks: The foundation had two board members appointed by the Metropolitan Health Service Board. One was Judith Adams, and the other was Mr Moodie. They were the two MHS representatives on the board of management of the foundation.

The CHAIRMAN: That does not answer the question. Did the board of the hospital, the chairman, and the MHSB, understand the structure of the PMH fund?

Mr Weeks: We had representation on their board, yes.

Mr HOUSE: I accept that you had representation. I am trying to establish whether you had a good understanding of the fund, the balances, the income and outgoings in order to give the foundation the \$2 million. I want to know whether you did or you did not.

The CHAIRMAN: And who controlled it and what its decision-making process was.

Hon Ian McCall: Yes. I understood that. We had a number of meetings with these people. We had reached an impasse. We had a legal opinion that the money should be managed by the hospital. It is for a specific purpose, by the way; it cannot be used for just anything. They produced their legal advice, for which I understand they paid an enormous amount of money, which said that the money was theirs and not the hospitals. We had reached an impasse. To settle this -

The CHAIRMAN: The will was specific to the hospital, so why was there an impasse?

Hon Ian McCall: Their opinion said the will meant the money went to PMH Inc.

The CHAIRMAN: Why does their opinion have anything to do with the equation? The \$2 million is the hospitals.

Hon Ian McCall: Their opinion said the money is not the hospitals; it is theirs. Our opinion said the money is the hospitals. They came up with advice from their lawyers saying it is not the hospitals; it is PMH Inc's money. That was the impasse. To settle this, we had to go to court. Are we going to spend thousands and thousands of dollars deciding -

Mr HOUSE: Basically you accepted that advice and gave them the money?

Hon Ian McCall: No. Absolutely not. We did not accept that advice. If you look carefully at what happened, we then discussed it with the Auditor General and the Crown Solicitor and said, "How do we get out of this impasse? We do not want to waste all this money by going to court to decide whether this Whiteman money should be managed by the hospital for the purposes set out in the will, or whether it should be managed by the foundation for the purposes set out in the will. They said, "Here is a way out of it. It has got to go through your books. Give it to them to manage, under these conditions." The conditions are they do not attract administration charges; they have got to make money; they have got to be separately accountable to us - which they were - for what they do with this money in terms of investment; and they can only spend it according to the terms of the will. We would have been bound by that too. We could not have spent it on just anything. That was the way out of the impasse. What was the alternative - go to the Supreme Court and sue them?

Mr WHITELY: Your approach to this problem has been very legalistic. There is the issue of value for money that you have not even touched upon. I understand the Megazone project, to which some of this money was diverted, had an original budget of about \$500 000. It ended up costing about \$3 million or \$4 million; no-one is quite sure how much. Did you consider the issue of value for money, because you are considering dotting the i's and crossing the t's from a legal perspective, but what about the fact that this money was intended to deliver a public benefit to the health system? We have heard evidence that there were old beds and unsatisfactory services at the hospital, yet a substantial amount of money disappeared into a project that seems to have been, at least in some of its aspects, frivolous.

Mr Weeks: The Whiteman money was specifically bequeathed by Lew Whiteman to be applied for cancer kids. That is very specific in the will. Of the \$2.5 million of the Whiteman money, only \$300 000 went to the Megazone. That was a situation that was agreed to by the trustees of the Whiteman estate when they were approached by the previous chief executive of the hospital. Advice was taken from Dr Baker, who was the key cancer clinician at Princess Margaret Hospital, and on that advice the funds were released. That is as I understand the situation.

Mr WHITELY: In terms of the bigger picture and getting value for money, did you have a perspective on what was happening with the Megazone project? Michael Moodie raised concerns about the amount of money that was obviously going into that project.

Mr Weeks: The Megazone had been a long ongoing project and was almost complete. Literally the last licks of paint were being applied by the time Michael took up his position at the hospital. I think Michael would say with the benefit of hindsight that if he had had the opportunity to spend the money he would probably have spent it differently.

Mr WHITELY: As the person with the line responsibility above Michael Moodie, would that not ring alarm bells with you and you would say there have been these problems in the past -

Mr Weeks: There is not a great deal you can do about it when the thing is finished and operational.

Mr WHITELY: But you can stop these things from happening in the future.

Mr Weeks: I am not aware that another Megazone has happened in the future. At the end of the day, it was not crown money that went into it. PMH, being a children's hospital, generates an enormous amount of income through donations and public fundraising, and it was those funds that were used in the main for putting that project together. The Whiteman trust finished that project off at the end of the process.

Mr WHITELY: I appreciate that it was not crown money, but you have just talked about the effect of transferring \$2 million, about which there was a dispute about whether it was crown money or foundation money, and you have taken an approach that seems to me to be a legalistic approach, and you have given it to a foundation that seems to have had problems delivering value for money, if you like. Given that your brief is to run the Metropolitan Health Service as efficiently as possible, I have some concerns about that approach.

Mr Weeks: Yes. Concerns were expressed by Mr Moodie and by our other director about the foundation over time, and I think the solution that was found was a reasonable one that completely safeguarded the level of income that will be generated on the Whiteman trust. The funds are ring-fenced; they cannot attract charges; they attract market rates of income; and they are accumulating and are probably performing better than most other deposits.

Mr WHITELY: I appreciate those comments, but what about the issue of getting value for money?

Mr Weeks: I do not really understand what you are driving at. We have a sum of money that can only be applied for certain purposes; and we have ensured managerially that it is not used for other purposes, that it is used in a manner consistent with the will, that it attracts reasonable income flows, and that it does not incur charges. I think that is ensuring that the funds that are available for the future are in a position to provide value for money, subject to the trustees of that bequest ultimately deciding where and how that money should be applied.

Mr HOUSE: I would like to accept that evidence, but, unless I misheard you, you have just told me you have not seen the documented accounts of the foundation. How can you sit here and say unequivocally all of those things that you have just said, when you do not have any evidence of that?

Mr Weeks: Let me explain how I can say that. I have taken the trouble over time and subsequently prior to coming to this meeting of reaffirming with the chief financial officer and the chief executive of King Edward-Princess Margaret Hospitals that they continue to receive regular financial reports on the state of those funds. The question I was asked was had I seen the annual accounts of the foundation, and the answer to that is no, I have not. I have no need to see the accounts, and, in fact, no right to see them. I am not a board member of that organisation. However, I can confirm that we have had the reporting that was required of the foundation in respect of the Whiteman trust, where these funds are in our view managed on our behalf.

The CHAIRMAN: I can understand what you are saying, but I still find it absolutely unbelievable that you could give away \$2 million -

Mr Weeks: It has not been given away.

The CHAIRMAN: Legally it belongs now to the PMH Foundation, an incorporated body, and that is why it had to come back into your accounts and that is why you had to give it back to them, because otherwise it could not have happened. That is physically what happened. What is worse is that you are saying this is controlled by someone else. The cancer ward at PMH could use a helluva lot of money for a helluva lot of purposes that could be approved by the board, specifically.

Mr Weeks: No, it could not be approved by the board.

The CHAIRMAN: Subject to the trustees -

Mr Weeks: The trustees are the people who will determine what those funds will be used for, and David Baker is in a position to make application at any time on those issues to that trust. The actual release of that money is beyond the scope and control of the Metropolitan Health Service Board. I contend still that we acted responsibly in ensuring that those funds are ring-fenced, safeguarded and earning income, and are being transparently disclosed as to how, why and when they are being used; and we retain the right to influence those decisions.

Mr HOUSE: Frankly, we would all like to accept that; certainly I would, and I am sure everyone else would. However, what we have now asked for twice is the demonstrable evidence that what you are saying is correct, and you have been unable to give that. That is the concern.

Mr Weeks: All I can say is that the Auditor General and the Crown Solicitor's Office were both comfortable with and supported these arrangements. We have actioned those in good faith. Other than advising you that the Metropolitan Health Service continues to monitor the performance of those funds, I do not know what else you want me to say.

Mr HOUSE: I am not asking you to say anything else.

Mr Weeks: What evidence are you looking for?

Mr HOUSE: Documented evidence.

Mr Weeks: We can certainly get you copies of that.

Hon Ian McCall: We can get you the accounts, because they are accounting for this money to the hospital.

Mr Weeks: That is right.

Mr HOUSE: The trust is?

Hon Ian McCall: The foundation is.

Mr HOUSE: So you have got them?

Mr Weeks: We have got periodic reporting on the Whiteman trust moneys. The question you asked me, Mr House, was did I see the annual report of the foundation.

Mr HOUSE: That is correct.

Mr Weeks: The answer to that is no.

Mr HOUSE: Or any documented evidence that suggests that the evidence that you have given to the committee to substantiate what you have said is accurate. That is what I want to see.

Mr Weeks: Again, I cannot tell you who is sitting on the PMH Foundation board subsequent to 23 February, but up to that point in time I can certainly provide you with documentation that demonstrates that we were being regularly advised of the situation on that account, which is what our obligation was, and indeed is what the foundation's obligation was.

Mr DEAN: It seems extraordinary to me that we have two organisations, both of which are working for the benefit of children, and one is so voracious that it is going to take you to the Crown Solicitor and the Auditor General to get a dispute resolution process that will put this money into its hands. It seems to me that you have been bullied into releasing those funds. My perception is that you felt that these funds would be better off under your control and you would do better with them, yet you bowed to pressure, for various reasons, which only you people know, to give this money away.

Mr Weeks: As the chairman has indicated to you, we approached the PMH Foundation following that audit report and requested that the funds be returned. Its response was to get a commercial legal opinion that said the funds did not need to come back; the funds were theirs. We happened to fundamentally disagree with that. Our legal advice has confirmed that position. As the chairman said, we got to a point where either we took the thing to court to get it resolved - and I have no doubt that we would have won that - or we found an accommodation in the middle that avoided the unseemly sight of two organisations, both of which cared a great deal about the provision of kids' services at Princess Margaret Hospital, having an unavoidable scrap in court. I think the accommodation that was found, particularly as it was supported by the Auditor General and the Office of the Crown Solicitor, was a reasonable one in the end.

Mr WHITELY: Can I tell you how it seems to me; and correct me if you think my perception is wrong. It seems to me that an amount of money was in dispute. That amount of money had gone to one organisation. The other organisation ceded control over that, under the provision that it would have accountability after the event but very little influence about where the funds were actually expended. The issue I am getting to is value for money. What controls did you put in place or what influence did you have, not to ensure that the moneys were correctly accounted for in a legalistic and accounting sense, but to ensure that you were getting value for money and that the public health system was benefiting from the expenditure of those funds? It seems to me that your approach was very legalistic and you were just trying to cross the t's and dot the i's rather than worry about getting value for money.

Mr Weeks: The issue of getting value for money in how the funds are expended is an issue that is explicitly in the hands of the trustees of the Whiteman trust. They have a founding document that gives them the specific purposes for which the money can be used, and it is their decision as to whether those funds are released. That is not an issue over which the board had control.

The CHAIRMAN: Did the board have that document when you made the decision?

Mr Weeks: Which document - the will?

The CHAIRMAN: The proposed basis on which the bequest was made.

Mr Weeks: Yes, we had the will.

The CHAIRMAN: And you knew that the structure was in place?

Mr Weeks: Sorry, which structure are you referring to?

The CHAIRMAN: The structure in relation to Whiteman family members having control of the account.

Mr Weeks: Yes.

The CHAIRMAN: Will you present that to us for reference please?

Mr Weeks: The will?

The CHAIRMAN: No, the basis upon which you made that decision. When the board made the decision to give \$2 million to the Princess Margaret Hospital for Children board, it was obviously done on the basis of some information you had. Can you table that information, which includes the structure through which the Whiteman family has the prerogative to overrule what is approved and what is not?

Mr Weeks: The trustees have it.

The CHAIRMAN: The trustees. Could you also table the will bequeathing it to PMH?

Mr Weeks: I can certainly request that documentation from the board.

Hon Ian McCall: May I just clarify that point. The will provides for certain moneys from the Whiteman estate to go to Princess Margaret Hospital for Children for the purpose of cancer research. Once that money is handed over, the trustees of the will have nothing further to do with it. It is like any bequest; the bequest is made and the money is provided. However, there are strings attached. The money can be spent only for a certain purpose. The argument was about whether the will meant that the money went to Princess Margaret Hospital for Children or Princess Margaret Hospital for Children (Inc). It was as simple as that. I cannot but agree with Andrew Weeks about the unseemliness of the Metropolitan Health Service Board - that is, Princess Margaret Hospital - suing its principal fundraising organisation Princess Margaret Hospital for Children (Inc) over money left in a will. We were not being legalistic. I thought we were being the exact opposite. We were trying to reach a workable solution whereby we retained certain controls over that money and

how it was spent. It was given to the foundation to invest and manage. It was to report back and account to us.

The CHAIRMAN: I understand that, but the hospital was given \$2 million for a specific purpose. It could be used for all sorts of things, which the people doing the work at the hospital would have approved of, yet control was handed to an incorporated body, a separate legal entity, that has nothing to do with the hospital other than that it uses the same name.

Hon Ian McCall: We told the foundation to invest and manage the money. It does not have complete control over expenditure.

Mr HOUSE: You had two members on that board, did you not? They were the chief executive officer and one of your board members.

Hon Ian McCall: Yes.

Mr HOUSE: At that time, did you have complete faith in the chairman and chief executive officer of the foundation?

Hon Ian McCall: Yes. Princess Margaret Hospital for Children (Inc) has been going for as long as the hospital. You will probably have to ask them. I think it owned the hospital before the Government did. I think the history is that the children's hospital was set up by what is now Princess Margaret Hospital for Children (Inc). The Government bought the hospital from the philanthropists who established the children's hospital in the 1920s or 1930s. Princess Margaret Hospital for Children (Inc) continued as a separate body to raise money for the benefit of the hospital. Their bona fides, in terms of what they are doing, cannot be questioned. It was decided during the process over the Megazone dispute that the situation was too confusing. People give money and do not know whether it is going to the hospital or to the foundation. We said that we would fully support the future fundraising activities of the foundation, because it raises a lot of money, but the foundation would have to make sure that people knew that if they were giving money or buying a packet of sweets or whatever, the proceeds would go to the foundation and not to the hospital. We sorted that out. We said that if people gave money to Princess Margaret Hospital, it would go to the hospital. If it is clear that the money is going to the foundation, it will go to the foundation. I think the previous chief executive had in effect said that all money raised would be managed by the foundation. My understanding from my discussions with **The CHAIRMAN** of Princess Margaret Hospital for Children (Inc) is that it would meet with the chief executive of the hospital and ask what the hospital needed that the foundation could provide. The philosophy is that the foundation should not provide things that the Government should provide, but is there to provide the extras that the Government cannot provide. Whether the committee accepts that philosophy or not is another issue. The foundation met with the chief executive from time to time and asked what bit of equipment or this or that was needed that the hospital could not afford but which it could provide the money to buy it.

Mr BRADSHAW: Personally, it is logical to have one arm undertaking investment and management of the money rather than the hospital and foundation doing it separately.

Hon Ian McCall: Because it would simply be another trust account in the hospital.

Mr BRADSHAW: That is right. It seems pretty logical to me.

The CHAIRMAN: We want to get to the in camera evidence because we have only a short time frame. Is there anything you want to add to your evidence? I think we will need you to come back again. We will need to go over some of the points you have raised in more detail after we have received some more evidence and have spoken to Ernst and Young to verify some of the comments you have made. We will obviously need to get other evidence. I am sure Professor Landau will come back and give the committee more evidence. Is there anything you want to tell us before I ask the committee whether we will accept the evidence in camera?

Mr Weeks: I will make just one observation. In my correspondence with the executive officer, I advised that I will leave the country on 9 January. Since the loss of my employment with the Metropolitan Health Service, it has become clear that I will leave the State. The property is sold and I leave on 9 January. If you require me to come back, I will be pleased to do so.

The CHAIRMAN: We may need you to come back a bit later than 9 January. We will not have all the evidence in by then.

Mr Weeks: I am sure that you will not. You will probably need a Christmas break, along with everyone else.

The CHAIRMAN: We need it, but I am not sure that we will get it.

Mr Weeks: The only other issue I was going to raise was that of legal expenses. I thought you should have the background on that. In negotiation with Michael Moodie's lawyers, the board agreed to recommend to the Crown Solicitor, consistent with state policy, that it would be prepared to pay his reasonable legal fees, subject to a satisfactory settlement of the issue of employment. A fee of approximately \$5 000 was signalled to the lawyers. I thought the payment by the Department of Health of Mr Moodie's legal fees at a rate 10 times greater than those approved by his employer was remarkable, given two issues. First, the costs are excessive and, therefore, not reasonable, and, secondly, the treatment is inconsistent with the treatment I received from the same department over the same issue when my employment was terminated. That is an issue I would like to raise with you in camera.

The CHAIRMAN: Thank you.

Hon Ian McCall: Mr Chairman, you said something about asking us to come back. As you probably appreciate, Andrew Weeks is the only person who has the complete story, because at times he acted on his own as chief executive and at other times under the direction of the board. David Vaughan or I might not be able to answer all the questions that the committee may raise.

The CHAIRMAN: If you cannot answer them, that is the simple answer. The committee reserves the right to call any witness. We have allowed you to appear together, but the comment I made to my research officer at the start of the session was that I would like to question some of you independently, because the evidence will justify that at some stage down the track. The committee needs to keep open the option to invite anybody to give evidence.

Before I accept evidence in camera, I need to get the approval of the committee. I can only do that when no-one else is in the room. I ask people to vacate the room.

[The committee took evidence in camera.]