# **CHAPTER 3 - ACCESS FOCUS**

- 3.1 Avrio Services Pty. Limited, an Australian limited liability company, was registered on 22 April 1996. It changed its name on 11 September 2002 to Access Focus Pty. Limited, and on 25 September of the same year to Aurio Services Pty. Limited. The company, which trades as Access Focus, has two shareholders, each of whom holds a \$1.00 share: Glen Downing and Michelle Downing. He and Alfred Alexander Downing of 7 The Outlook, Bilgola, are directors of the company. The latter, who is generally known as Alf Downing, is the guiding light of the company and the business it conducts.
- 3.2 We were provided by the Union with a large bundle of invoices and cheque requisition documents, which show that Access Focus received a little over \$4.5M (excluding GST) from HSUeast during the period from 3 October 2007 to 30 September 2011. A typical invoice appears below:

Access Focus

Tax Invoice

P.O. Box 946 ARTARMON N.S.W. Australia 1570

Invoice #: 00005618

A.B.N. 23 073 709 949

Date: 26/5/11

Bill To:

Ship To:

HSU Level 2 109 Pitt Street SYDNEY NSW 2000

HSU
Level 2
109 Pitt Street
SYDNEY NSW 2000

Description

Amount

| To provide   |            |
|--|------------|
| 2 x 1000 Business Cards Printed & Cello Glazed @ \$750.00 each | \$1,500.00 |
|  | γ1,500.00  |

Freight:

\$0.00

Terms: Net 30 Days

GST:

\$150.00

Total Inc GST:

\$1,650.00

3.3 It will be noted this invoice contains neither telephone number nor operating address. That is true of all the other invoices. Most of them contain little detail. Perhaps more significantly, the charge for 1,000 business cards shown on the invoice was \$750 excluding GST. Competitive quotes we obtained were for a third as much: 25 cents per card, as opposed to 75 cents per card paid to Access Focus. We do not accuse Access Focus of overcharging: if customers will not protect themselves by testing the market from time to time, it may be that suppliers cannot be blamed for charging whatever they can get away with for goods and services provided. We do say that the amount paid was very much higher than necessary.

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- 3.4 Alf Downing agreed to be interviewed. He is a salesman, and likes to talk. Temby wrote to him on 5 December last, and he came in two days later. He arranges for printing work to be done for the Union, but is not a printer. He also sources, generally from China, and supplies clothing and promotional goods to the Union: everything from business shirts to beanies, from breathalyser kits to bottles for water. He also helps with the annual Union convention, and arranges transport and delivery of goods both then and at other times. He agreed with the suggestion he is a "broker", and also that he is a "Mr. Fix-It" for the Union.
- 3.5 Downing's dealings are largely with Cheryl McMillan. He and she discuss what the Union wants, and he gives her a price, which she on behalf of the Union can accept or reject. Downing could not recall an occasion when she had tried to bargain him down.
- 3.6 The Union has been doing business in this way with Access Focus for a number of years. It has not sought competitive quotes at any time for any of the goods and services which Downing's company supplies. We cannot put a figure on what this has cost the Union, but clearly the figure lies in the range from large to prodigious.
- 3.7 We obtained from the Union some items which were the subject of recent invoices, and obtained prices for supply. Some details follow.

| Item                    | Quantity | \$ Unit Price<br>Access Focus | \$ Unit Price<br>Industry |
|-------------------------|----------|-------------------------------|---------------------------|
| 5618 - Business Cards   | 1,000    | 0.75                          | 0.25                      |
| 5619 - 3 Colour Pads    | . 500    | 19.84                         | 6.66                      |
| 5531 - Luggage Scales   | 600      | 27.50                         | 34.28                     |
| 5589 - Water Bottles    | 6,000    | 6.30                          | 1.72                      |
| 5696 - Beanies          | 5,000    | 6.50                          | 3.15                      |
| 5603 - Embroidered Hats | 15,000   | 7.50                          | 3.40                      |
| 5645 - Printed Pens     | 10,000   | 1.35                          | 0.32                      |
| 5950 - Key Ring Pulls   | 10,000   | 1.85                          | 0.73                      |
| 5686 - Membership Books | 10,000   | 4.20                          | 1.09                      |
| 5586 - Lanyards         | 5,000    | 3.50                          | 1.25                      |

- 3.8 Three points should be made. The first is that these invoices covered only a small proportion of the total goods provided by Access Focus over the years. They may be taken to be representative. Secondly, Access Focus seems to have sourced luggage scales well, and charged below industry prices. Thirdly, we do not know whether Access Focus charged more relative to fair average industry prices than did other suppliers of goods and services to the Union.
- As to the allegation see [1.13] above large amounts were certainly paid to Access Focus, including a total of \$107,481.60 in three payments in November 2011. It does provide goods and services to the Union. Steps must be taken to ensure that the Union receives fair value for the amounts it pays. At the moment it has no real idea, one way or the other. This is, to say the least, unsatisfactory.
- 3.10 Procurement practices at the Union are very inadequate. This extends beyond the failure to call tenders or obtain competitive quotes. The systems for ensuring that goods as ordered have been received, and for approving invoices for payment, are rudimentary and open to abuse. This aspect is taken up in Chapter 9.
- 3.11 Whether or not it continues to deal with Access Focus is for the Union to decide. In any event, we recommend that all dealings with suppliers, including for printing, promotional goods and clothing, be in the future on the basis of the satisfactory system for procurement dealt with in [9.12], at a minimum.

#### **CHAPTER 4 - UNITED EDGE**

4.1 United Edge Pty. Limited is an Australian limited liability company, which was registered on 11 December 2007. According to ASIC records, its registered office and principal place of business are both at 2/109 Pitt Street, Sydney. That is also the address of HSUeast's head office. The directors of United Edge from the outset have been Michael Williamson of 31 Meagher Avenue, Maroubra, Bruce Daniel of 21 Cotswold Road, Dural and Bradley Bird of 1/6 Bolton Street, Guildford. Williamson has been the company secretary since 11 December 2007. There are three \$1.00 shares issued, and ASIC records show that one share is beneficially held by each of Williamson, Daniel and Bird.

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- 4.2 How did Williamson come to be a director of and one third shareholder in a major supplier of services to the Union of which he is General Secretary? Has there been adequate disclosure of his position? As to this, see Chapter 7. And even if there has been, is it appropriate that the present position should prevail?
- 4.3 Williamson elected not to talk to us, as was his right, and we had to depend upon others. Bruce Daniels and Bradley Bird also elected not to talk to us, notwithstanding they were advised by the Union that it would be appreciated if they cooperated with our investigation.
- Stephen Pollard, the President of HSUeast, said when interviewed that at a Union Council meeting a number of years ago Williamson stated that one or more of the proprietors of the business which provided IT services to the Union wanted out, and those remaining would have difficulty in buying them out. Two or three months later at another meeting of Union Council, Williamson reported that he was going to become or had become a director of the company so that it could keep going and continue to provide services to the Union. On neither occasion did any discussion ensue, according to Pollard's recollection. His understanding since that time has been that Williamson has a proprietary interest in United Edge. He said that Bruce Daniels and Brad Bird were involved in both the earlier IT business and in United Edge.

- 4.5 Pollard said Mylan dealt with United Edge. Temby asked whether it occurred to him that it might be difficult for Mylan to negotiate with United Edge, or raise a query concerning a United Edge invoice, or deal with such disputes as must inevitably arise from time to time, if he knew he was dealing with a business of which Williamson his boss was a director and part-owner. Pollard said you cannot rise to the top of a big union without being tough having some mongrel in you and he did not doubt that Mylan could handle himself and protect the interests of the Union as necessary. A Union official who accompanied Pollard when he was interviewed made the point, which Pollard effectively adopted, that dealings were between Mylan for the Union on the one hand and Bruce Daniels for United Edge: Williamson does not become involved.
- 4:6 Mylan provided us with a file note, the relevant portion of which we now reproduce.

### FILE NOTE PETER MYLAN RE: ALLEGATIONS CONCERNING UNITED EDGE

By way of back ground the Vic No. 1, Vic 3 and NSW Branch merged on  $24^{th}$  May 2010 and created the HSUeast.

Prior to this NSW was running a different IT platform than that of Vic 1 and Vic 3. The NSW platform, Memforce was a fully integrated web membership system which included full call centre functionality as well as an integrated correspondence capacity. Memforce also provided excellent reports for the use of organising and recruiting members. In addition to this Memforce also provides excellent membership capacity which allows the Membership Department to operate very effectively.

In addition to this Memforce is integrated with our website and our Media Centre.

On  $3^{16}$  September 2010 the first Union Council meeting of H5Ueast was held and this meeting occurred at Hotel Novotel Brighton Le-Sands, Sydney. At this meeting a number of resolutions were carried relative to the harmonisation process of the new Union.

A Memorandum of Advice was provided by David Langmead Barrister on this subject. He also provided resolutions that were endorsed at the meeting. Copy attached.

One of the resolutions carried (6) was that the Executive Committee be requested to develop a centralised Administrative System which provides for central overseeing and processing in the Sydney office but provides for access and operability in the Melbourne Office in respect of Victorian members.

As a consequence of this resolution a number of meetings were held with the Administration Manager of the Union to resolve any issues that may arise. Due to the fact that 2 IT platforms were operating it became apparent that problems would be experienced in relation to distribution of membership details, issuing of members accounts etc and general distribution of Union paraphernalia to members. An examination was undertaken of the current contract that existed with the IT provider for the Vic 1 and Vic 3 branches to establish as to whether there were any contractual obligations or could the Union terminate the contract and integrate into Memforce.

Arising from an examination of the contract, it revealed that the contract was due to expire on 30/9/11, and if we were to terminate the contract prior to this we would be in breach of the contract and certain penalties would apply, In addition to this, legal advice was obtained from Slater & Gordon that confirmed that this was the case.

It was also resolved by the executive Committee with all members present that the Union adopt as a principal that 1 fee structure apply across HSUeast.

Union Council received a recommendation from the Executive Committee to a new *fee* structure at its 27.10.11 meeting. Union Council endorsed that Union membership fees were to be increased and that prior to this a report had been prepared indicating that within the Vic 1 and Vic Branches 33 different fee structures applied, as opposed to NSW where only 1 fee structure applied. It was clearly apparent that if we were to remain with 2 IT platforms that the Administration of the proposed fee increase was going to become an administrative nightmare. The only solution that would enable a smooth translation to the new fee structure was to operate it through 1 IT system, Memforce.

The proposed fee increase for NSW members was \$1.10 per week and if we had applied the same \$1.10 per week fee increase unilaterally across the Union would have created an enormous backlash from the membership. As members in Victoria had part time and casual rates and these did not apply in NSW. The report that I refer to above relating to the 33 different fee structures is attached.

Therefore a decision was taken following consultation with the Admin Manager, the Executive President and other Senior staff that Vic 1 and Vic 3 would merge into Memforce from 1' November 2010. This will allow if any problem arose, that the Union has 1 month to rectify them as the new fee structure was commencing on 1" December 2010.

In addition a number of emails had been received from Staff in Victoria complaining about the quality of the IT services for the Victorian office. These are available if required.

As a result a commercial decision had to be made that either

- (a) We terminate the current Vic 1 and Vic 3 contract and be required to pay \$165,000.00 immediately (1/11/10 -30/9/11), or
- (b) We continue to pay the \$15,000.00 per month till 30/9/11.

As a consequence option A would have created a cash flow problem for the Union and the only option left open was to continue to pay the \$15,000.00 in accordance with the contract.

The decision to continue the \$15,000.00 per month payment in my view clearly outweighed the administrative problems that would have arisen due to running 2 different IT platforms and the knock on effect from introducing a new fee structure. Further this decision was in accordance with the Council decision of 3/9/10 that we develop a "centralised administrative system".

This decision was also discussed at the HSU Executive meeting held on 13/10/10 in which all Executive Committee members were in attendance.

- 4.6 There is we think nothing untoward about the fact that \$15,000 per month was for a period paid to a Victorian IT company after the amalgamation while United Edge was submitting bills for the same service, i.e. maintaining a membership management system. This is the last of the allegations concerning United Edge referred to at [1.13] above.
- 4.7 It is in our view entirely inappropriate, even assuming full disclosure, that Williamson should at the one time have been in charge the Union and also a one

third shareholder in and director of a major supplier of IT services. He should be one or the other, not both. The more work goes to United Edge, the more it and he profits, and the more the Union's costs rise. Hence the best interests of the Union and the company are necessarily opposed. Also, it is we think it difficult to the point of practical impossibility for Mylan or anybody else to deal with United Edge unaffected by their knowledge of Williamson's close connection with the company.

- 4.8 As to whether, and to what extent, Williamson facilitated the opportunities which came United Edge's way, because none of Williamson, Daniel nor Bird would talk to us, we have not been able to reach a confident conclusion. It does not take a cynic to believe he was heavily involved.
- 4.9 In Chapter 7 we recommend, as part of good corporate governance, that the Union should resolve to prepare financial statements that comply with Australian Accounting Standards. The substantial amount of undisclosed payments by a member based organisation to a company (United Edge) related to a union executive (Michael Williamson) was a large factor in our thinking. Adoption of Australian Accounting Standards would eliminate the risk of "optional" or "discretionary" reporting.

### 4.10 We note that since our appointment:

- United Edge's name has been removed from the tenant directory in the foyer of 109 Pitt Street, Sydney.
- United Edge notified HSUeast by letter dated 23 January 2012 that it was relocating to new business premises.
- 4.11 We attempted to determine if United Edge had other customers or if its operations were really only a resource of the HSU. Our investigation was made difficult by the refusal of the three shareholders/directors to assist us. Our enquiries have disclosed certain matters that lead us to question whether United

Edge conducts any meaningful business other than with the HSU, State and Federal:

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- Prior to our enquiries, United Edge's only business premises were at the premises of HSUeast, on a rent free basis.
- United Edge does not have a website (it charges HSUeast for website services).
- United Edge does not appear to be listed in any telephone directories and the phone numbers on its invoices divert to a non specific message machine which makes no reference to United Edge.
- ASIC records continued to disclose, as at 28 May 2012, United Edge's registered office and principal place of business at Level 2, 109 Pitt Street, Sydney, being the offices of HSUeast.
- An inspection of the premises to which United Edged moved from 109
  Pitt Street, Sydney disclosed on the tenant directory "Cotswold Concepts/(United Edge)". Cotswold Concepts is Bruce Daniel's company; it operated from serviced offices until April 2012. The new offices are closed off, with no obvious reception area or signage for Cotswold Concepts or United Edge.
- The two employed principals of United Edge are charged to HSUeast on an annual charge of \$590,385 (Bruce Daniel \$404,956 and Bradley Bird \$185,229) being labour charges only. These rates not only appear very high, but indicate that the vast amount of their working time is for HSUeast.
- 4.12 The accounting records of HSUeast covering the period 22 April 2008 to 30 September 2011 shows that payments by the Union to United Edge in that period totalled \$ 4,689,816.12, an average of over \$ 114,000 per month and over \$ 1,372,631 per annum.

4.13 As at June 2011 the accounting records of HSUeast disclose the following monthly recurring payments to United Edge totalling \$96,488.12 (excluding GST), for the following services:

| 0 | Bruce Daniel IT Services (Monthly)    | \$33,746.40        |
|---|---------------------------------------|--------------------|
| 6 | Bradley Bird IT Services (Monthly)    | \$15,435.81        |
| 0 | Website services (Monthly)            | \$ 6,192.97        |
| 8 | "Memforce" members database (Monthly) | \$20,218.46        |
| 9 | Call Centre scripting (Monthly)       | \$ 4,321.65        |
| • | HSU sub branch cost centre (Monthly)  | \$1,882.40         |
| 9 | HSU internal cost centre (Monthly)    | \$10,124.85        |
| 0 | Equinix IBX data centre (Monthly)     | \$ <u>4,565.58</u> |
| • | Total                                 | \$96,488.12        |

- 4.14 We have been advised by the Union management:
  - The union is not aware of any contract with United Edge.
  - Up until January 2012 United Edge had its business premises in the Union's offices and were not required to pay any rent for these facilities.
  - There were no alternative quotes obtained from other service providers.
- 4.15 With respect to the allegations in [1.13] above, the last concerning United Edge, has been dealt with: see [4.6]. We deal now with the balance of them.
- 4.16 We are not in a position to reach a conclusion as to whether United Edge, which provides IT services to the Union, charges excessive amounts for doing so. We sought from Union management details of the services provided by United Edge but they were not forthcoming. Apart from the actual wording on the invoices we do not have detail as to the services provided. Mylan was unable to advise us of the hours worked each month, nor if there were any records in support of the hours worked. The amounts charged by United Edge, as regular monthly payments, do appear very high. They leave open the question of excessive charging, there having been no alternative quotes and there being in existence

neither a contract nor performance records. It is the case the IT contract was let without tenders being called.

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- 4.17 United Edge did work out of the Union premises, and paid no rent for doing so. Mylan insists that the arrangement was mutually beneficial, and in particular that it was to the Union's advantage to have a constant United Edge presence on the premises. It is however odd, as noted at [4.1], that a company which was a major supplier of services to the Union should have its registered office and principal place of business at the Union head office. However, they have now moved.
- 4.18 We recommend that the Union take steps to regularise the contractual situation between itself and the supplier to it of IT services. When and if practicable, tenders should be called for the provision to the Union of such services. At the very least, the Union should ensure that a contract is entered into between itself and its IT supplier, whether that be United Edge or some other business.

## **CHAPTER 5 - MAH-CHUT ARCHITECTS**

- According to Union records, in the period of 4.5 years from 9 March 2007 to 30 September 2011, HSUeast paid Mah-Chut Architects a total of \$3,398,495 (excluding GST). Not all of the money was retained by the firm's principal, Ronald Mah-Chut, as some of the invoices were for design and construct projects.
- 5.2 Mah-Chut was born on 15 December 1935, and voluntarily attended to be interviewed shortly before his 75th birthday. He was at the time clearly ill he has a liver condition and accompanied by both his solicitor and a barrister. It is fair to say at the outset that he denied wrongdoing, and it is a matter of speculation whether the use of coercive powers (unavailable to us) or the provision of information by Williamson (who declined to be interviewed) might have thrown up a case of impropriety for him to answer. In what follows we have stated what can be divined from Union records, and information provided by Mah-Chut.
- 5.3 He met Williamson in or about 1996, following a reference by an architect who was retiring, and has done work for the Union since. Some of it is straight design work, some involves maintenance, there are design and construct contracts as mentioned, and Mah-Chut also advises HSUeast on property acquisitions. He deals mostly with Williamson, and to an extent with Barry Gibson. There are no contracts, letters or other documents which evidence the arrangements between the Union and Mah-Chut Architects merely verbal agreements between Mah-Chut and Williamson. That is unsatisfactory, as becomes clear if one envisages a dispute concerning fees, especially after one or the other of the two individuals who knew the situation had died or lost his senses. The lack of documentation makes it difficult, to the point of practical impossibility, for a person certifying an invoice for payment to know that he or she is acting correctly.
- 5.4 All we have to go on are the invoices, and they throw up their own questions.

  The content of two of them is reproduced below:

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**VOICE 0457** 

4.17 United 13.308 49.5 itmstract

au Coastal Sites

claim No. 3 for the quarterly retainer commencing May 2008.

### . 10. 3 Progress Claim

 Fee claim
 20,000.00

 GST
 2,000.00

 Total
 \$22,000.00

Total amount for this tax invoice is \$22,000.00 (includes GST).

Thank you for the opportunity to complete this work. We look forward to continuing to work with you under the terms of our agreement.

#### **TAX INVOICE 0469**

3 October 2008

General Secretary Health Services Union Level 2, 109 Pitt Street Sydney. NSW 2000

Ref: Investment Opportunities

Description: Commercial Office Space

Level 3, 109 Pitt Street, Sydney

Michael,

We submit our fee claim for the above purchase.

Summary

Purchase sum \$5.7M @ 2%

**GST** 

\$114,000.00 \$11,400.00

Total Claim

\$125,400.00

Please make cheque payable to "Mah-Chut Architects."

- 5.5 According to Mah-Chut, the quarterly retainer agreement see Invoice 0457 was reached between him and Williamson about 5 years ago. He said it was to reimburse him for the time spent in looking for sites that might be suitable for the Union to develop for retirement villages or holiday destinations, none of which were ever in fact purchased. Later, near the end of the interview, Mah-Chut's barrister said in his client's presence that the retainer was calculated at the rate of \$200 per hour for one day per week, and that Mah-Chut was required to be on-call for any building maintenance issues that arose.
- In addition, Mah-Chut charges the Union a spotting fee when properties are purchased at the rate of 2% of the purchase price. He said he "knows property", and may be required to look at many properties before charging such a fee. He acknowledged that he knew of no other architects who charged a percentage-based spotter's fee. Mah-Chut said he charged the 2% fee on top of the retainer. Temby put it to him that he was being paid twice by way of retainer, and the spotter's fee for the same task, namely looking for property. He initially did not respond, and when the proposition was put again said he did not "see it that way". As noted earlier, he was not at all well at the time of interview.
- 5.7 A submission made on Mah-Chut's behalf by his solicitor, after this chapter was supplied in draft for comment, included this:

'In relation to paragraph 5.6 there seems to be a misunderstanding of the nature of the arrangement between HSU East and Mr. Mah-Chut. The quarterly retainer was paid for Mr. Mah-Chut's time in researching and investigating suitable properties as well as being on call for building and maintenance issues on existing properties. The 2% spotter's fee was charged on properties actually acquired by HSU East.

The arrangement was a commercial one. It was concluded in a commercial context and presumably, approved or ratified by the executive officers of the HSU East. There should be no suggestion that Mr. Mah-Chut was unfairly enriched by the arrangement or that he was in a position to overbear on HSU East to agree to the arrangement. Spotter's fees are not uncommon in the commercial world."

Over a period of more than 3 years, Mah-Chut Architects claimed and were paid a total of \$254,958 for property acquisitions, on top of the retainer fee of \$88,000 per annum. The details follow:

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| 13/15 Baker Crescent, Botany - 2% of \$715,000 + GST                   |   |
|--|---|
|  |   |
| L9, 109 Pitt Street, Sydney - 2% of \$3.2m + GST                       | \$70,400  |
|  |   |
| Steele River Warehouse, 1-2 Frost Drive, Mayfield West                 |   |
| - 2% of \$394K + GST   | \$8,668   |
| L8, 109 Pitt Street, Sydney - 2% of \$400K + GST                       | \$8,800   |
|  |   |
| L3, 109 Pitt Street, Sydney - 2% of \$5.7M + GST                       | \$125,400   |
|  | 1   |
| L15, 109 Pitt Street, Sydney - 2% of \$785K (should be \$15,700 + GST) | \$16,500  |
|  |   |
| Unit 23, Auburn & Miller Streets, Coniston, Wollongong                 |   |
| - 2% of \$430K + GST   | \$9,460   |
| Total  | \$254,958   |
|  | L9, 109 Pitt Street, Sydney - 2% of \$3.2m + GST  Steele River Warehouse, 1-2 Frost Drive, Mayfield West - 2% of \$394K + GST  L8, 109 Pitt Street, Sydney - 2% of \$400K + GST  L3, 109 Pitt Street, Sydney - 2% of \$5.7M + GST  L15, 109 Pitt Street, Sydney - 2% of \$785K (should be \$15,700 + GST)  Unit 23, Auburn & Miller Streets, Coniston, Wollongong |

- 5.9 The actual allegation against Williamson in relation to Mah-Chut Architects is that they were employed on Union money to do work on his holiday home at Lake Macquarie.
- At interview, Mah-Chut confirmed he did work for Williamson, first at home in Maroubra and then at Lake Macquarie. As to the former, he did some drawings and arranged for an engineer. At Lake Macquarie, the work was recent, and Mah-Chut prepared plans, put them through Council, arranged for a builder and part-supervised the work. When asked if he charged Williamson less for the work at Lake Macquarie by reason of the large amount of work he did for the Union, after initial hesitation, Mah-Chut replied in the affirmative. He charged Williamson less than he would have charged an ordinary client with whom he

had no prior association. He said he did not tell Williamson he was being charged less.

- 5.11 When asked whether he had done the work for Williamson either for nothing, or for sharply reduced rates, Mah-Chut said, "No. It was my decision to charge less. What I received from HSU I deserved". He said there had been no other financial or property dealings between Williamson or any person or entity associated with him and Mah-Chut or any person or entity associated with him. He had on occasions attended ALP functions, sitting on an HSU table, and bought items at auction. This happened perhaps annually.
- 5.12 Mah-Chut's barrister put on the record that his client and Williamson have no social relationship, have no business ventures in common, have not shared holidays, have not dined together (save for the ALP functions just mentioned), and share no godchildren.
- 5.13 Mah-Chut later provided, on request, extensive further material. He received from Williamson in relation to the Lake Macquarie building project a total of \$42,085.25 of which \$9,261.25 was by way of reimbursement for charges Mah-Chut had paid on Williamson's behalf. Professional fees including GST totalled \$32,824. His barrister told us the project cost was about \$700,000. If normal architect's fees are taken to be about 10% of the project cost, then this represents a large under-charge. If the rate is taken to be 5% then there was still an undercharge. The submission made on his behalf pointed out that architects are commonly paid in one of three ways a percentage of the cost of the works, a lump sum or an hourly rate and that is true. It was contended that for this work Mah-Chut did not charge a percentage fee. The invoices do not help as to the basis upon which fees were calculated. However, we think it is fair to say that Mah-Chut was well paid for the work he did for the Union, and less well paid for the work he did for Williamson personally.
- 5.14 If there is sufficient precision in arrangements between an organisation and those who supply services to it, and in the processing of accounts by service providers, it may not be difficult to refute suggestions that favours have been done, or kick-

backs have been involved, or as to other possible fraudulent practices. The arrangements between HSUeast and Mah-Chut were very loose.

5.15 We are unable to conclude whether either Williamson or Mah-Chut has behaved improperly.