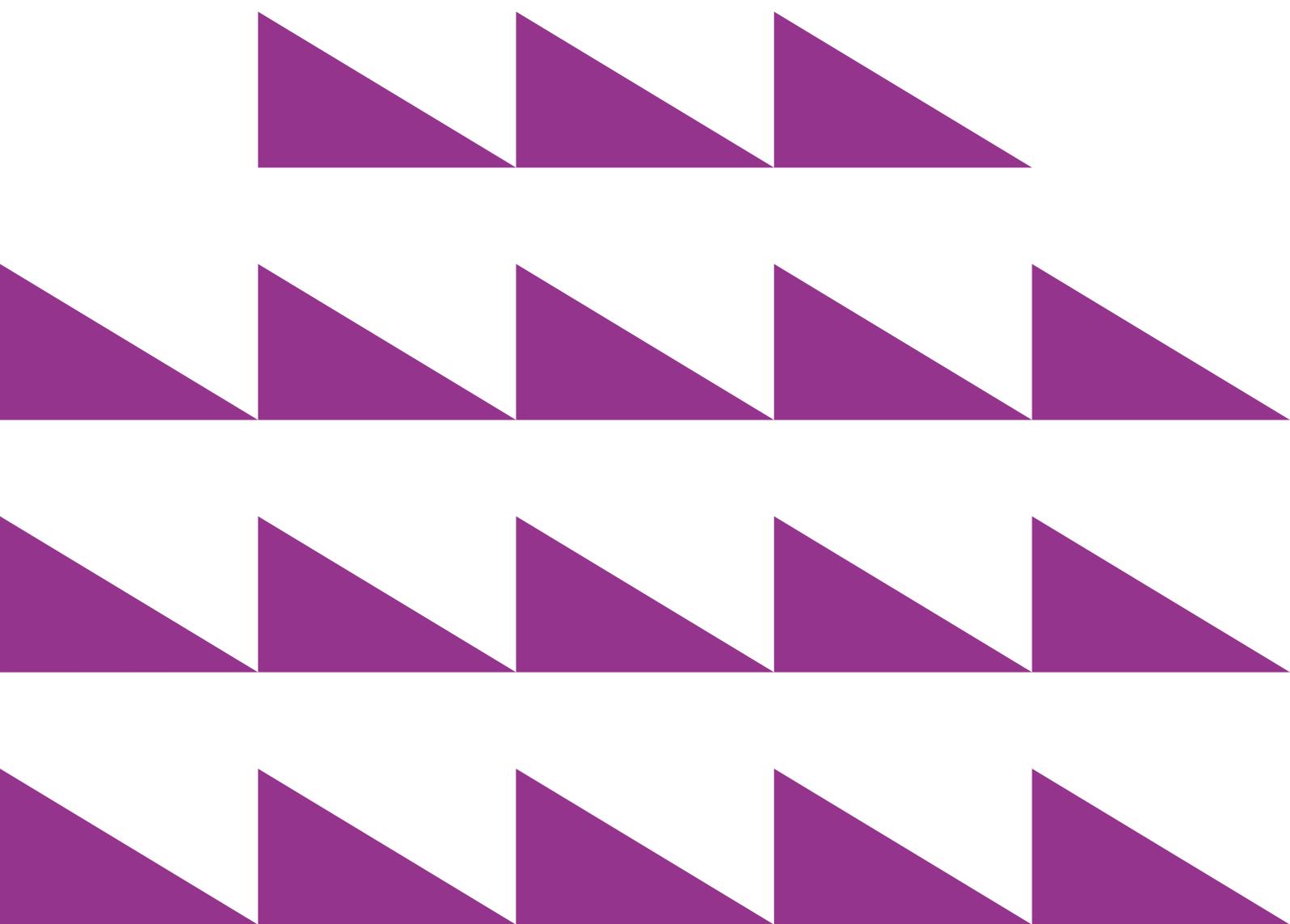


Operation Liverpool

An investigation into the conduct of two officers of Bendigo Health,
Adam Hardinge and John Mulder.

March 2017

A decorative graphic consisting of four rows of purple triangles. The first row has three triangles, the second row has five, the third row has five, and the fourth row has five. The triangles are arranged in a staggered pattern, with each triangle pointing downwards.

Authorised and published by the
Independent Broad-based Anti-corruption Commission,
Level 1, 459 Collins Street, Melbourne.

March 2017

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Letter of transmittal

To

The Honourable President of the Legislative Council

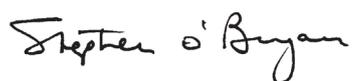
and

The Honourable Speaker of the Legislative Assembly

In accordance with section 162(1) of the *Independent Broad-based Anti-corruption Commission Act 2011* (IBAC Act) I present IBAC's report on its Operation Liverpool investigation arising from the conduct of two officers of Bendigo Health, Adam Hardinge and John Mulder.

IBAC's findings and recommendations to date are contained in the report.

Yours sincerely



Stephen O'Bryan QC

Commissioner

List of abbreviations

CEO	Chief Executive Officer
RFQ	Request for quote
The Department	Department of Health and Human Services

1 Summary of investigation and outcomes

1 Summary of investigation and outcomes

1.1. Introduction

This report concerns an investigation by the Independent Broad-based Anti-corruption Commission (IBAC) into the conduct of two officers of Bendigo Health: Mr Adam Hardinge, former construction manager and Mr John Mulder, Chief Executive Officer (CEO).

IBAC investigated allegations that Mr Hardinge had engaged in corrupt conduct including collusion with Bendigo Health contractors for his personal benefit, and the theft of property. The investigation then expanded due to allegations made regarding the conduct of Mr Mulder, including that he used Bendigo Health employees to undertake works on two of his wife's properties without payment and on Bendigo Health time. There were also corrupt conduct allegations around Mr Mulder claiming living away from home allowance while living in properties owned by his wife.

IBAC's investigation found Mr Hardinge took Bendigo Health property and materials without proper authorisation, and circumvented the usual procurement controls in place at Bendigo Health for the benefit of himself and certain contractors. Mr Hardinge was charged and subsequently pleaded guilty to seven charges of theft, one charge of obtaining property by deception, and one charge of attempting to obtain financial advantage by deception.

The investigation also found that on a number of occasions Mr Mulder engaged in conduct contrary to the Victorian Public Sector Code of Conduct and Bendigo Health's stated organisational values.

IBAC has also identified organisational and systemic corruption vulnerabilities at Bendigo Health that facilitated this conduct. Recommendations have been made to address these issues.

1.2. The early stages of the investigation

In December 2014, IBAC received a notification pursuant to section 57(1) of the *Independent Broad-based Anti-corruption Commission Act 2011* (IBAC Act) from Bendigo Health. The notification related to allegations levelled at Mr Hardinge. Allegations were made that Mr Hardinge had engaged in corrupt practices including the theft of building materials and collusion with contractors to defraud the health service.

The notification arose from an audit conducted into procurement practices within Bendigo Health's Construction Management unit, which is part of the Buildings and Infrastructure division. The audit was prompted by allegations that Mr Hardinge had misappropriated Bendigo Health equipment. The audit, finalised in 2015, also identified concerns with Mr Hardinge's compliance with procurement processes and other issues.

IBAC considered the complaint and determined that in accordance with section 60(1) of the IBAC Act, an investigation would be conducted. This investigation was called Operation Liverpool. In May 2015, the scope of the investigation expanded to include the allegations against Mr Mulder.

1.3. The entities involved

1.3.1. Bendigo Health

Bendigo Health is a regional health service based in the Loddon Mallee region of Victoria. Its main campuses are based in Bendigo but it also provides services in other parts of the region including Mildura, Echuca, Swan Hill and Castlemaine.

In its 2015/16 annual report, Bendigo Health stated it had more than 3600 employees. Its total revenue for 2015/16 was \$366 million.

Bendigo Health is overseen by a board of directors who are responsible under the *Health Services Act 1988* for developing strategies, overseeing performance and meeting regulatory requirements in accordance with government policy. The CEO is responsible for the day to day management of the health service.

The Department of Health and Human Services (the Department) has overall responsibility for the Victorian public health sector as it guides planning, policy development, funding and regulation of health services. Therefore, the Department has a corporate governance relationship with Bendigo Health.

In 2013 work started on the construction of the new Bendigo Hospital. This was a \$630 million project being undertaken as a public-private partnership. The new hospital became fully operational in January 2017; stage two of the redevelopment is due for completion in June 2018.

The Department is responsible for the delivery of the health sector capital program across Victoria; it is therefore responsible for the financial arrangements associated with the partnership and for overseeing the delivery of the project. This is reflected in the Department's involvement in governance arrangements including the health capital project board, project steering committee and project control group.

Bendigo Health was provided with a budget of \$64 million for 'enabling works' including demolitions, site clearing, and excavation of existing sites in preparation for the construction of the new Bendigo Hospital. These enabling works commenced in 2012.

1.3.2. Adam Hardinge

Mr Hardinge commenced employment with Bendigo Health in 2006 as a maintenance supervisor.

In September 2011 he was appointed construction manager for the new Bendigo Hospital. He assumed responsibility for the enabling works for the new development, taking over from Johnstaff Projects. The project control group decided that the enabling works could be better managed and delivered at lower cost if the work was handled in-house by Bendigo Health.

As a result, Mr Hardinge was responsible for the balance of the enabling works budget of approximately \$15 million. In this role he reported to the Executive Director, Buildings and Infrastructure in Bendigo Health.

In March 2012 Mr Hardinge and his then wife purchased a property in Golden Square, Bendigo. Renovations on that property commenced in August 2012.

Mr Hardinge was dismissed by Bendigo Health in January 2015 in response to a separate complaint to his employer.

1.3.3. John Mulder

Mr Mulder was appointed CEO of Bendigo Health in June 2007. Prior to this appointment, Mr Mulder was Deputy CEO at Barwon Health. He has held a number of other executive positions in the Victorian health sector. He temporarily stood down as CEO in February 2017.

By way of background context, until June 2015 Mr Mulder's primary residence was in Torquay, approximately two and a half hours' drive from Bendigo. As a result, Mr Mulder was paid living away from home allowance from the time of his appointment as CEO to June 2015, when his primary place of residence changed to a property in Harcourt North, approximately half an hour's drive south of Bendigo.

Between 2010 and 2012 Mr Mulder lived during the week at a property in Flora Hill, a suburb of Bendigo. The property was owned by his wife. In January 2013, following the sale of that property, Mr Mulder lived in a rental property in Spring Gully, also a suburb of Bendigo. That was his residence until he moved to Harcourt North in January 2015. The Harcourt North property is owned by Mr Mulder's wife.

1 Summary of investigation and outcomes

1.4. The allegations in brief

1.4.1. Allegations concerning Adam Hardinge

The allegations against Mr Hardinge included the theft of insulation, decking timber, door jambs, aluminium planks, tarpaulins, scrap copper wire, an electric generator, heritage bricks and diesel fuel.

Allegations were also made that Mr Hardinge had:

- allowed contractors to overcharge for works in return for favours (the works in question included painting, demolitions and cleaning contracts)
- used contractors to complete work on his home extension in return for awarding them contracts
- accepted expensive meals and wine in return for favourable treatment of contractors
- removed sensitive information related to the tender process for the new Bendigo Hospital
- failed to ensure proper contract management documentation such as a proper request for quote (RFQ)
- failed to comply with the purchase order process
- allocated expenditure to unrelated projects
- prepared inadequate scopes for projects which undermined management's ability to determine if quotes and tenders were acceptable drafted contracts which did not comply with Bendigo Health policy, subsequently exposing the organisation to significant risks
- failed to obtain proper permits for building works
- arranged for his then wife's unit to be cleaned and cardboard boxes to be purchased (charged to Bendigo Health) to assist in her move
- used hire equipment to carry out work on his home extension that was either intended for use at Bendigo Health or was used solely on his property and charged to Bendigo Health
- misappropriated funds derived from the sale of scrap metal.

Findings in relation to these matters appear in section 5.1.

1.4.2. Allegations concerning John Mulder

During the investigation into Mr Hardinge, IBAC investigators became aware of a number of issues relating to the conduct of Mr Mulder including the alleged use of Bendigo Health staff to carry out private work for him at properties owned by his wife.

There were also allegations Bendigo Health contractors provided work and services to Mr Mulder without receiving payment. Those contractors included:

- Company A which assisted in the landscaping of Mr Mulder's wife's property
- Person 1, of Company B, who completed painting work at Mr Mulder's wife's property
- Company C which completed private electrical work for Mr Mulder
- Company D which arranged for a large door to be transported from Bendigo to Mr Mulder's property in Torquay.

Allegations were also made regarding arrangements Mr Mulder had with Bendigo Health to rent a property indirectly from his wife via Bendigo Health and to claim living away from home allowance simultaneously, despite Mr Mulder's wife residing at the property at least part time.

Findings in relation to these matters appear in section 5.2.

1.5. The conduct of the investigation

1.5.1. Information obtained

A substantial amount of documentation was provided to IBAC, either voluntarily or by way of summons. Bendigo Health provided the preliminary and final findings of the 2015 audit report in relation to Mr Hardinge. Documentation was provided by summons from two real estate agents which managed the Flora Hill and Harcourt North properties.

IBAC also took 45 witness statements from employees and contractors to Bendigo Health.

1.5.2. Execution of search warrants

On 27 March 2015 IBAC executed a search warrant at Mr Hardinge's home. 24 items were seized, as outlined in section 2.2.

1.5.3. Private examinations

Mr Mulder, his wife, and the then Executive Director, Buildings and Infrastructure,¹ were summoned by IBAC to attend private examinations to aid the investigation.

The examinations were conducted over a number of months in 2015.

¹ The Executive Director resigned from Bendigo Health in March 2015.

1 Summary of investigation and outcomes

1.6. Recommendations

Pursuant to section 159(1) of the IBAC Act, IBAC makes the recommendations outlined below:

Recommendation 1

That Bendigo Health thoroughly review its integrity and corruption prevention policies and procedures in the following areas to ensure the vulnerabilities identified in Operation Liverpool have been addressed, and that employees fully understand their obligations:

- a. code of conduct and values
- b. gifts, benefits and hospitality
- c. conflict of interest
- d. audit and risk management.

Recommendation 2

That Bendigo Health consider the introduction of a 'declarable associations' policy to require employees to identify, declare and manage associations that may be incompatible with an employee's professional responsibilities.

Recommendation 3

That Bendigo Health thoroughly review the policies, procedures and practices in the following areas to ensure the corruption vulnerabilities identified in Operation Liverpool have been addressed:

- a. procurement
- b. asset management
- c. information security, particularly in relation to tendering information for major projects.

Recommendation 4

That Bendigo Health review its training to ensure employees' understanding of relevant policies and procedures. Further, that training specifically addresses corruption risks and ethical dilemmas, and is tailored for employees in identified high-risk positions (such as employees with responsibility for procurement).

Recommendation 5

That Bendigo Health confirm that all goods and services provided to Mr Mulder in a private capacity have been paid for in full.

Recommendation 6

That Bendigo Health report back to IBAC on action taken in relation to recommendations 1 to 5 by 30 September 2017. This report will be published on IBAC's website.

Recommendation 7

That the Department of Health and Human Services consider the issues raised in Operation Liverpool and whether similar vulnerabilities could exist in other Victorian health services. The Department is to report to IBAC by 30 September 2017 on steps taken to address any such vulnerabilities in the broader health sector.

2 Allegations against Adam Hardinge

2 Allegations against Adam Hardinge

2.1. Subversion of procurement processes

2.1.1. Failing to comply with procurement processes

IBAC's investigation found Mr Hardinge frequently ignored Bendigo Health's procurement policies, which required competitive processes (either quotation or tender processes) when goods, services or works exceeded a specific value. For goods and services, expenditure between \$1000 and \$25,000 required two quotes, and expenditure between \$25,000 and \$150,000 required three quotes.

Issues highlighted in the 2015 audit report of procurement practices in the Construction Management unit included:

- an inability to locate successful quotes for 60 per cent of a sample of invoices²
- an inability to locate unsuccessful quotes for the entire sample of invoices examined
- nearly half of a sample of purchase orders (where the purchase was requested by Mr Hardinge) were raised after an invoice had been received.

Mr Hardinge took advantage of the separate governance arrangements for the new hospital project. The project, including financial arrangements, was overseen by a steering group comprising representatives from various stakeholders including the Department. The 2015 audit report noted Mr Hardinge used these separate arrangements as an excuse not to follow the usual procurement processes in place at Bendigo Health.

There were also instances of significant variations for contracts awarded by Mr Hardinge.

Two examples of how Mr Hardinge disregarded procurement policies are outlined opposite.

Example 1: Mr Hardinge disregarded procurement policies in awarding work to Company B

Between 2009 and 2014 Mr Hardinge awarded work valued at more than \$600,000 to Company B. Mr Hardinge and Person 1³ were friends. IBAC's investigation identified:

- there were no RFOs for many of the projects undertaken by Person 1
- many of the quotes submitted by Person 1 lacked detail of the actual nature of the painting work to be carried out
- significant variations and overruns were claimed on top of a number of the original quotes.

Example 2: Mr Hardinge disregarded procurement policies in awarding work to Company E

Between 2010 and 2014, \$2.5 million was paid to Company E. Mr Hardinge and Person 2⁴ were friends. IBAC identified that:

- Company E was legitimately awarded work, however the total cost invoiced to Bendigo Health exceeded the quote by \$43,000 and no variations were recorded
- the majority of projects undertaken by Company E did not record quotes received from any other supplier although multiple quotes would have been required under the procurement policy.

² The review focused on ten suppliers that Bendigo Health staff believed Mr Hardinge had a personal relationship with.

³ Person 1 was the sole director of Company B.

⁴ Person 2 was a director of Company E.

2.1.2. Abusing his position for personal benefit

Allegations were made and substantiated by IBAC that Mr Hardinge exploited his position in relation to contractors for his personal benefit. Examples of this are outlined below.

- Person 3, a director of Company F, gave Mr Hardinge a bobcat to use at his Golden Square property at no cost for about five days (commercially, the cost was equivalent to approximately \$1500). Person 3's recollection was that this occurred sometime in 2012. Person 3 said, 'Hardinge is the sort of person that if you kept him happy, the more he would look after you, but if you got on his wrong side or out of favour with him, the less work and opportunity you would have to get work with Bendigo Health.'
- Mr Hardinge enjoyed food and expensive wine at the expense of two companies involved in the works around the new hospital build.
- In August 2014, while on site at Bendigo Health, Person 4, a director of Company A, was approached by Mr Hardinge and asked to pay for an upcoming dinner. Person 4 was not a guest at this dinner. Some weeks later, Person 4 received a phone call from a local restaurant and was asked to pay the \$1 153 bill. He was told that Mr Hardinge had directed the restaurant to contact him to arrange payment. Person 4 said he paid the bill as he thought he could get paid for outstanding invoices, and that Company A could keep Mr Hardinge 'sweet' and quote on more jobs for Bendigo Health work.
- In early 2014 Mr Hardinge requested Company G, a company that had done work for Bendigo Health, undertake a small plastering job at the home of Person 5, a director of Company D. Person 6 (a director of Company G) said that Mr Hardinge asked him to add the cost of the work to a quote to be sent to Bendigo Health, as Mr Hardinge owed Person 5 a favour. Person 6 was uncomfortable with Mr Hardinge's request and did not invoice anyone for the work.

- In around 2013, Mr Hardinge approached Person 7, a director of Company A, to assist in the renovation of Mr Hardinge's Golden Square property. Person 7 said that he and one of his apprentices spent about four days at the site. While Mr Hardinge offered to pay for the time of Person 7 and his apprentice (estimated at \$2500), Person 7 declined to accept as he believed it could jeopardise opportunities for future work at Bendigo Health. Person 7 paid his apprentice out of his own pocket.

Mr Hardinge also exploited his position with Bendigo Health employees. In late 2012 he instructed two employees within his division to take three weeks' unpaid leave to work on his property in Golden Square. Although Mr Hardinge paid for their time, one of the employees said they felt unable to refuse to take the leave as they feared for their job. Another of the employees said that Mr Hardinge seemed to have little or no regard for policies and procedures, particularly in relation to procurement and the selling of scrap, and that he was not answerable to anyone.

2.1.3. Failing to comply with purchase order controls

Bendigo Health procurement processes require purchase orders to be raised prior to the commencement of any work or any purchase being made. This ensures all intended procurement goes through the proper approval process prior to purchase. It also enables the purchase order to be checked with the invoice and, where possible, against a receipt for goods or services. This allows staff to check that the correct goods and services have been ordered, delivered and invoiced.

The Buildings and Infrastructure division regularly failed to comply with this important internal control. Mr Hardinge often purchased goods either by retrospectively raising a purchase order or by creating a false purchase number by transcribing the date backwards and adding the purchaser's initials. This was sufficient to satisfy the requirements of the supplier and allowed the purchase to proceed without proper scrutiny within Bendigo Health. Mr Hardinge would then direct one of his staff to retrospectively raise a legitimate purchase order number. In this way, Mr Hardinge purchased many items for use on his home renovation.

2 Allegations against Adam Hardinge

For example, in September 2014, a support officer received a quotation from a supplier for three heavy duty tarpaulins at a cost of \$2894. The quotation noted that Mr Hardinge had collected the tarpaulins the previous day. Mr Hardinge instructed the support officer to create a purchase order against the West Wing project, which was part of the new hospital development. Mr Hardinge then approved the purchase order through Bendigo Health's internal finance system, Oracle.

The invoice was sent for payment by the supplier that same day and was subsequently processed. The goods were never used by Bendigo Health. IBAC was unable to locate the tarpaulins at Mr Hardinge's Golden Square property.

2.1.4. Other issues identified by the external audit

The 2015 audit report into procurement practices identified a range of other concerns with Mr Hardinge's conduct including committing Bendigo Health to non-standard and potentially detrimental contractual terms. For example, Mr Hardinge stipulated in a number of contracts that insurance would not be required by the contractor and would instead be the responsibility of Bendigo Health. The investigation identified that 25 demolitions and minor building works had occurred without building permits. IBAC understands that Bendigo Health is taking steps to certify the integrity of the relevant building work.

The audit also identified that Mr Hardinge did not prepare detailed scopes for the projects he managed. This impeded Bendigo Health's ability to identify whether costs were allocated to the correct project.

2.2. Alleged misappropriation of building materials

Allegations were made that Mr Hardinge had taken property of Bendigo Health from various Bendigo Health sites, without proper authorisation.

IBAC identified that Mr Hardinge had hardware, building materials and equipment at his Golden Square home. Items included aluminium planks, approximately 1000 heritage bricks, strapping hoop iron, a site tool box, load binders, an electric caulking gun, case and charger, a concrete vibrator, an industrial vacuum cleaner, an impact gun, a battery framing gun, four three-tonne lifting slings, a step ladder, a saw table, a tool bag containing hand tools, a radio, two laptops, and a LED light. Mr Hardinge admitted these items were the property of Bendigo Health. All items were subsequently returned to the health service.

Other building materials had been used in the renovations to his home. These included insulation, steel door jambs, steel mesh, heritage bricks (used as pavers) and ModWood (used as decking and exterior stairs). These items were left in situ as they could not reasonably be removed without damage. However, Mr Hardinge admitted that some of these building materials were either the property of Bendigo Health or were paid for by Bendigo Health.

IBAC also identified that Mr Hardinge purchased two heated jackets on different dates, both charged to Bendigo Health without approval. The jackets cost \$236 each. He kept one jacket for his personal use and gifted one to the owner of a café contracted for the duration of the new hospital build.

2.3. Alleged misappropriation of transformer

An electrical transformer belonging to Bendigo Health was situated on the Anne Caudle Centre site. The transformer was purchased by Bendigo Health for more than \$70,000 in late 2010.

In mid-2012, at the instruction of Mr Hardinge or another Bendigo Health employee, Company D, a Bendigo Health contractor, removed the transformer from the site and stored it at the company's yard. At this point, the transformer was not being used.

In 2014 a contractor working on the construction of the new hospital was trying to source a transformer as a power source at the development site. Mr Hardinge negotiated a price of \$10,000 for Bendigo Health's transformer without the knowledge or authorisation of Bendigo Health. Mr Hardinge then instructed Company D to invoice the contractor for that amount, which they did in June 2014. The contractor paid the Company D invoice approximately a month later.

Person 5, a director of Company D, told IBAC investigators that after receiving payment from the contractor he waited for instructions from Mr Hardinge about what to do with the money but, shortly after, Mr Hardinge was stood down by Bendigo Health.

2.4. Proceeds of scrap metal

As part of the enabling works for the new Bendigo Hospital, scrap metal (mostly copper wiring) was stripped from obsolete Bendigo Health sites. The scrap was to be sold to a recycling company, and the proceeds (either cash or cheque) deposited into a Bendigo Health bank account that had been activated to hold funds for use by the health service.

The investigation established that Mr Hardinge sometimes directed his staff to have money received for the scrap metal paid to The Trustee for the Hardinge Family Trust. More than \$21,000 was paid into the Hardinge Family Trust in this way.

One Bendigo Health employee said Mr Hardinge told him that he intended to use the scrap proceeds deposited into this bank account for the end of year Christmas party. There is no indication that he did so.

There is evidence that Mr Hardinge's manager (the Executive Director, Buildings and Infrastructure) was aware of the payment of monies for scrap into Mr Hardinge's account. Mr Hardinge sent his manager an email titled 'Scrap Monies' in April 2013 stating 'Balance of scrap is \$54K Bendigo Bank AD and KJ Hardinge. Need 7 days notice to withdraw'. In his examination, Mr Hardinge's manager said he had never seen this email before it was shown to him by auditors enquiring into the matter. He also gave a statement that he never gave Mr Hardinge permission to pay the proceeds of scrap into an account other than Bendigo Health accounts.

2 Allegations against Adam Hardinge

2.5. Expenses charged to Bendigo Health

Mr Hardinge's then wife moved house in mid-2014. Mr Hardinge arranged for moving boxes to be purchased and charged against the West Wing project. Mr Hardinge also arranged for the property to be cleaned, and directed a cleaning contractor to alter the details on its invoice so that the expense could also be charged against the West Wing project.

2.6. Handling of confidential information

In 2013 two major construction companies submitted tenders for the construction of the new Bendigo Hospital. Tender documentation (which was voluminous) was stored in a number of locations at Bendigo Health, including a tender room which held most of the tender documents. Strict protocols were put in place to protect the confidentiality of the tender documentation. No employee was permitted to remove tender documents from the tender room and, if any material in this room was to be viewed by a staff member, it was to be recorded in a 'sign in/sign out' register maintained by a probity officer.

It is alleged that one afternoon during the open tender process in 2013, Mr Hardinge entered the tender room and removed one of the tender folders.

The staff member who observed this reported it to the probity officer who advised her to report the matter to the Executive Director, Buildings and Infrastructure. The staff member said this was done immediately.

The probity officer said the documents were removed around 2.30pm and had not been returned by the time he left work at 5.00pm. He said he found them in the tender room when he returned to the office the following morning.

The Executive Director, Buildings and Infrastructure, stated in his private examination that he recalled the probity officer mentioning this incident in passing but he did not recall the staff member who witnessed the incident contacting him. He said it was his understanding that the tender documents had been returned within ten to fifteen minutes. He also said he did not initiate any discussion with Mr Hardinge about this matter. He conceded that the security breach should have been reported to the Department. He said his reason for not so reporting was based on the probity officer indicating it was not a serious breach.

3 Allegations against John Mulder

3 Allegations against John Mulder

3.1. Use of Bendigo Health resources and contractors

Allegations were made that Mr Mulder had improperly used Bendigo Health employees, contractors and resources in a private capacity, without payment.

3.1.1. Repair to floorboards at Flora Hill property

In mid-2012 Mr Mulder requested, via Mr Hardinge's manager, that staff from the Buildings and Infrastructure division look at damaged floorboards in the Flora Hill property, which was owned by his wife. Mr Hardinge's manager forwarded the request to Mr Hardinge who arranged for two Bendigo Health employees (formerly contractors) to repair the floorboards.

The work, which took approximately four to five hours, was done on Bendigo Health time. The total cost of this repair job was estimated by one of the Bendigo Health employees at between \$500 and \$600. The employee said he did not think it was an appropriate use of their time.

Mr Hardinge said that when Mr Mulder spoke to him about something he wanted done, he would never expressly say to bill Bendigo Health, but Mr Hardinge believed that was what Mr Mulder wanted because of the language he used. Mr Hardinge never caused invoices to be raised for work done from time to time at Mr Mulder's request.

In his private examination, Mr Mulder said he asked Mr Hardinge's manager to make sure he was billed for the works. However, payment did not occur until August 2015, shortly before his examination and following an internal reconciliation he had requested in response to being alerted by internal auditors of IBAC's investigation, which was when he said he became aware payment had not been made.

Mr Hardinge's manager said in his private examination that Mr Mulder would say, 'I want a bill, but not a big one' when work was done for him. Such language was consistent with a 2010 email from Mr Mulder to Mr Hardinge about some electrical work done at Mr Mulder's house to connect a spa pump, as well as some other works for Mr Mulder under Mr Hardinge's direction. In the email, Mr Mulder said,

'It doesn't have to be a big bill, but it needs to be something'. The manager also recalled an occasion (he thought concerning this electrical work) when he told Mr Hardinge to make sure he sent Mr Mulder a bill, which he said Mr Hardinge agreed to do.

3.1.2. Other work at the Flora Hill property

Other work was undertaken at the Flora Hill property in 2012 as part of the process of getting the property ready for sale. One Bendigo Health employee who worked on the repairs said in a statement: '[Mr Mulder] wanted the place fixed up and landscaped so that he could sell. I can't remember how I knew that, but I suppose [Mr] Hardinge would have told us.'

Work undertaken included:

- *Repair*

In October 2012 Mr Mulder said he requested either Mr Hardinge or his manager (he could not remember whom) to arrange the repair of a downpipe at the property. Mr Mulder was not invoiced for this repair and there is no evidence he requested an invoice. In his examination, Mr Mulder said he did not expect to be invoiced and believed the expense would be paid by Bendigo Health and deducted before tax as part of the property expenses available to him under his salary sacrifice arrangements.

When asked whether this repair would normally be the responsibility of the landlord who, in this case, was his wife, Mr Mulder responded that it could be argued the tenant might be expected to do it to 'make good' the property at the end of the lease.

- *Landscaping*

Mr Mulder also had significant landscaping carried out at the property in late 2012. This work was arranged through Mr Hardinge who said in evidence he followed Mr Mulder's request for 'a tidy-up (being) done around the house'. Three Bendigo Health employees attended the property for several days to complete the works. Three Company A workers were also present for a period.

For his part, Mr Hardinge's manager gave evidence of being asked by Mr Mulder 'if he would have a couple of guys to tidy up his yard' before selling; and that he got the sense from Mr Hardinge there were 'a load of things he (Mr Mulder) wanted done on his house' after being told later that Mr Mulder 'had a big list of things he wanted done and he (Mr Hardinge) couldn't do them all'.

Equipment from a hire company was used to complete the works. Based on the evidence obtained, IBAC estimates the likely value of the labour, hire equipment and landscaping materials was approximately \$5000. Mr Mulder was not charged for this work, and equipment hire and landscaping materials were charged against Bendigo Health projects. Company A did not charge Bendigo Health nor Mr Mulder for the work, in the hope it would assist the company in getting further work at the hospital.

Bendigo Health employees were taken from a project at the Havlin Street site of the hospital to complete the landscaping at the property. The Company A contractors were also redeployed from Bendigo Hospital to assist in the work.

Statements from individuals who worked on the landscaping confirmed they were told that Mr Mulder was selling the property and that real estate photographs were to be taken after the work was completed.

Two Bendigo Health employees who were involved in the landscaping said that a few months after the work was completed, they were called into Mr Hardinge's office and castigated for allegedly telling other staff about the work done at Mr Mulder's home. One of the employees said Mr Hardinge threatened them with dismissal.

- *Painting*

At around the same time that the property was being landscaped, Mr Mulder also arranged, through Mr Hardinge, for painting to be done. A Bendigo Health contractor, Person 1, said he completed painting work on bench tops, a veranda and a deck at the rear of the property. He said he thought the work was worth between about \$3000 and \$3500 but he was never paid. Person 1 said that, when he queried where he should send the bill, Mr Mulder referred him to Mr Hardinge. Person 1 decided not to invoice, stating 'sometimes you take a hit and pick it up along the line somewhere. I don't know whether it was expected as a goodwill thing because I did a lot of work for Bendigo Health, or not.'

At a private examination, Mr Mulder disputed that the painting work done was significant, stating that the painting was limited to a rail, only involved a couple of hours work, and would not have been valued at \$3000 or more. Mr Mulder denied referring Person 1 to Mr Hardinge in relation to the bill.

3.1.3. Work at other properties

The investigation identified other instances where Mr Mulder used Bendigo Health contractors for his personal benefit:

- *Electrical work*

In February 2013 Mr Mulder arranged for electrical work to be completed at his Spring Gully rented home by a Bendigo Health contractor, Company C. The work was valued at approximately \$600. A director of Company C said to the effect that he did not invoice for this job, and the cost was to be borne by Company C. At private examination, Mr Mulder said he paid for this work in August 2015 (again, shortly before his examination) after he learned that Company C had not earlier submitted an invoice.

- *Transport of door*

As part of the enabling works for the new hospital, an ambulance depot was demolished by Company E. Under the contract, the scrap became the property of Company E, including a large tilt glass ambulance depot door. At Mr Mulder's request and arranged by Mr Hardinge, the door was transported to Mr Mulder's Torquay property. Company D was asked to arrange the transportation, which it did by subcontracting to a transport company.

The invoice totalled \$1319, which was borne by Company D. Person 5 of Company D stated that Mr Hardinge had said 'we would sort out the bill down the track. When he said this, I knew that this was meant to be a favour and that I shouldn't send a bill at all'. Person 5 said that his office assistant sent the bill on to Bendigo Health without his knowledge, but the bill was questioned and returned to him. He said he didn't follow up the matter with Mr Hardinge as he 'knew [Mr] Mulder was the big boss'. He said, 'I wanted to continue working for [Bendigo Health] and enjoyed the relationship, so I did not take this bill any further.'

In his examination, Mr Mulder said he enquired about buying the door from Company E but they offered it to him free of charge. He also said he believed the transportation would not involve any cost because trucks involved in the new hospital project were frequently travelling between Bendigo and Geelong and he was advised it would be 'very easy to throw the door on the back of one of these trucks and drop it off'.

3 Allegations against John Mulder

He also said he could have transported the door on his own trailer and did not require commercial transportation. This is at odds with Person 5's evidence that he subcontracted the transportation to the transport company because a semi-trailer with an attached crane was required to cart and unload the door.

When presented with the evidence that a special trip was made to Torquay at an expense to Company D, Mr Mulder responded 'Well, news to me and why wouldn't have somebody told me? I'm not a mind reader.'

3.2. Remuneration arrangements

As part of Mr Mulder's salary packaging arrangements, he was paid 'living away from home allowance' by Bendigo Health from the time of his appointment as CEO in mid-2007 until June 2015. Bendigo Health paid this allowance on the basis that Mr Mulder was working in Bendigo and was unable to conveniently reside in his primary residence in Torquay during the working week.

The effect of this allowance was that Mr Mulder's rent was paid by Bendigo Health for the four properties he leased between 2007 and 2015 as a tax free benefit. The rent was paid to the relevant real estate agent and then the rental payments (and utilities costs) were deducted from Mr Mulder's pre-tax income.

Two of the properties rented by Mr Mulder (in Flora Hill and Harcourt North, Bendigo) were owned by his wife. While there were differences in the evidence obtained over whether the Bendigo Health remuneration committee was aware of this, Bendigo Health's Chief Financial Officer appears to have been made aware.

In June 2015, IBAC investigators were in Bendigo to make enquiries with Bendigo Health regarding Mr Mulder's rental arrangements, as well as with the real estate agent in Castlemaine regarding the lease agreement. That same day, Mr Mulder cancelled the Harcourt North rental agreement (six months into a three-year lease) and salary packaging arrangements, which included his entitlement to living away from home allowance. According to Mr Mulder, the Harcourt North property had become his primary place of residence. Mr Mulder's wife also cancelled her agreement with the real estate agent that day. The reason she gave was there had been recent changes to tax laws that her husband mentioned to her and not because the arrangements were in any way improper.

Mr Mulder maintained in evidence that his actions were legal and involved an 'arm's length transaction', relying on a Bendigo Health document authorising the rental through salary packaging. He also relied on more recently obtained advices to that effect from two accounting/financial audit firms (based on various stated assumptions of fact and understandings from mostly unspecified sources) in July and August 2015, shortly after his wife's examination by IBAC, and shortly prior to his own.

While it is difficult to accept that the timing of the termination of such arrangements was purely coincidental with IBAC's enquiries, at the conclusion of the investigation, the corrupt conduct allegations concerning Mr Mulder's remuneration arrangements were not substantiated to IBAC's satisfaction, taking into account the evidence that was able to be obtained and having due regard to the applicable standard of proof.⁵ Whether these arrangements were consistent with the spirit and intent of applicable corporate policies and probity standards is a matter for Bendigo Health and the Department.

⁵ IBAC's findings are based on 'the balance of probabilities', with due regard to the principle in *Briginshaw's case* (1938) 60 CLR 336 that the more serious the allegation, the more probative or stronger the evidence needs to be.

4 Adequacy of systems and controls at Bendigo Health

4 Adequacy of systems and controls at Bendigo Health

Operation Liverpool identified the following corruption vulnerabilities existed at Bendigo Health:

- Procurement policies and procedures were systemically circumvented by Mr Hardinge within the Buildings and Infrastructure division. Mr Hardinge had responsibility for the enabling works associated with the build of the new Bendigo Hospital. These works do not appear to have been subject to Bendigo Health's usual procurement and financial management controls. It appears Mr Hardinge used the separate oversight arrangements for the new hospital to justify bypassing relevant policies and procedures – including those relating to procurement (such as not seeking multiple quotes). This was not monitored in any detail under the new hospital arrangements.

Combined with seemingly insufficient oversight from his manager, this created an environment which Mr Hardinge was able to exploit. The 2015 audit into procurement practices within the Construction Management unit highlighted that an internal audit had alerted Mr Hardinge's manager on a number of occasions to concerns with Mr Hardinge's quoting practices, but the manager failed to address these concerns. Given the significant budget for the enabling works, it is concerning that more stringent checks and balances were not in place to monitor procurement and financial management practices.

IBAC understands that as a result of the audit, Bendigo Health is strengthening its practices. IBAC believes consideration should also be given to ensuring appropriate and transparent procedures and controls apply to all procurement, regardless of whether the procurement is associated with a major project. Further, corruption risks associated with procurement should be addressed through regular audits and through inclusion in risk management frameworks.

- There was a lack of sufficient control over assets of both high and low value, highlighted by the thefts of property and materials by Mr Hardinge and alleged inappropriate use of scrap generated by the enabling works.

Bendigo Health's audit recommended the strengthening of controls over assets. IBAC also suggests that Bendigo Health:

- handle theft and loss of property in accordance with the Standing Directions of the Minister for Finance
- undertake regular and random stocktakes/audits of all assets
- develop procedures to govern the disposal of scrap and low value assets to ensure decisions regarding disposal are documented and proceeds of scrap accounted for.

- An organisation's ethical culture is underpinned by the 'tone from the top'. It is important that senior management model the values espoused by their organisation. One of Bendigo Health's values is 'trustworthy', to be demonstrated by behaviours that include openness and honesty. Mr Mulder's earlier described private use of Bendigo Health resources is considered to have been in breach of these basic values for public sector employees, and set a poor example for other staff.

The Executive Director, Buildings and Infrastructure, who was Mr Hardinge's manager, gave evidence in his examination that when Mr Mulder wanted work done privately, Mr Mulder would approach him and then Mr Hardinge directly. Mr Hardinge stated to IBAC investigators that Mr Mulder's conduct provided some explanation for a 'toxic culture' at Bendigo Health. A number of other witnesses gave credible corroborating evidence to the effect of there being an unhealthy workplace environment within the Buildings and Infrastructure division. The division reported the poorest culture across all divisions of Bendigo Health in an independently conducted 2013 staff survey.

5 Conclusions and recommendations

5 Conclusions and recommendations

5.1. Adam Hardinge

Operation Liverpool identified that Mr Hardinge abused his position as a Bendigo Health construction manager, particularly in relation to the enabling works for the new hospital, in having:

- used Bendigo Health materials in renovations to his private residence without proper authorisation
- arranged, without proper authorisation, for the sale of an electrical transformer that was the property of Bendigo Health to a contractor
- arranged for more than \$21,000 to be paid into his personal trust account, being the proceeds of scrap from the enabling works associated with the new hospital
- consistently failed to comply with procurement processes, including failing to obtain the required number of quotes, and raising purchase orders after the invoice had been received as highlighted in the 2015 audit report. Mr Hardinge also agreed to quotes that contained insufficient detail and subsequently involved significant variations
- prepared unauthorised RFQs and contractual terms that placed Bendigo Health at significant risk of liability should the integrity of buildings fail
- charged personal expenses to projects associated with the new hospital
- directed subordinates to take leave from Bendigo Health to work on his home renovation
- breached probity by accessing documents related to the tender for the new Bendigo Hospital
- exploited his position for personal gain – for example, by receiving hospitality from contractors and arranging for work to be undertaken at his home, as well as the homes of friends.

Mr Hardinge pleaded guilty to seven charges of theft, one charge of obtain property by deception and one charge of attempt to obtain financial advantage by deception. He was convicted on all criminal charges. He was fined \$15,000 in relation to the theft charges, and gave an undertaking to pay \$5000 to the Bendigo Health Foundation on the other two charges.

It is considered that the conduct of Mr Hardinge over four years involved a lack of adequate oversight by his manager. Mr Hardinge was effectively empowered to do as he pleased, behaving in a manner that was inconsistent with the Victorian Public Sector Code of Conduct and Bendigo Health values.

Mr Hardinge's manager resigned from his position at Bendigo Health in 2015.

5.2. John Mulder

Operation Liverpool found Mr Mulder, the CEO of Bendigo Health, was provided with goods and services without payment. This included the:

- repair of floorboards at the Flora Hill property
- repair of a downpipe at the Flora Hill property
- significant landscaping at the Flora Hill property
- painting at the Flora Hill property
- electrical work at the Spring Gully property
- receipt and subsequent transport of a glass ambulance depot door to his property in Torquay.

The likely value of the goods and services provided to Mr Mulder in a private capacity is estimated to total around \$10,000.

Mr Mulder gave evidence that he expected to be billed for private works performed by Bendigo Health employees and contractors at his behest (as described in section 3.1). Whilst Mr Mulder sometimes used words to the effect of requesting a bill, he was unable to satisfactorily explain what he meant by his use of qualifying words such as ‘it doesn't have to be a big bill, but needs to be something’. The natural meaning of such language by Mr Mulder, in context, was that he only expected ‘token’ bills for the sake of appearances, and not ones for true value.

Further, for a number of years no bills or other documentation regarding salary offsets for such private works appear to have been raised or brought to Mr Mulder's attention. Regardless of any requests he gave to Bendigo Health employees for him to be billed, Mr Mulder must have soon realised in that period he was not being billed or otherwise paying for the works in question, and was content for that to remain the case. It was only after Mr Mulder became aware of IBAC's investigation that he directed Bendigo Health finance staff to identify work undertaken at the properties he rented since his appointment as CEO, and to send him pertinent invoices for payment.

In addition to the concerns about cost involved, some of which was borne by Bendigo Health and some by its contractors, it is concerning that Mr Mulder did not appear to show any consideration or care for the use of Bendigo Health employees, contractors and resources for private purposes.

It is also concerning that a range of work was undertaken at the Flora Hill property, which was rented by Bendigo Health from Mr Mulder's wife. Whilst the rental arrangement was in place, it is difficult to see why the maintenance and improvement to the property was not payable by the landlord, Mr Mulder's wife. IBAC was not persuaded by suggestions put by both Mr Mulder and his wife that this work was the tenant's responsibility.

The corrupt conduct allegations concerning Mr Mulder's remuneration arrangements with Bendigo Health, which included receipt of ‘living away from home’ allowance while renting this property owned by his wife, were not substantiated to IBAC's satisfaction taking into account the evidence that was able to be obtained and having due regard to the applicable standard of proof. Mr Mulder maintained in evidence that his actions were legal and involved an ‘arm's length transaction’, relying on a Bendigo Health document authorising the rental through salary packaging and advices he had obtained more recently from two accounting firms. Whether these arrangements were consistent with the spirit and intent of applicable corporate policies and probity standards is a matter for Bendigo Health and the Department.

The Victorian Public Sector Code of Conduct states that public sector employees must use their powers in a responsible way and not use them to provide a personal benefit to themselves, their families or associates. It also states that public sector employees must observe the highest standards of integrity in financial matters, including by maintaining a strict separation between work and personal financial matters. The Code explicitly states that public sector employees must only use or authorise the use of financial resources or facilities for work-related purposes.

Mr Mulder's conduct is particularly concerning in light of his responsibilities as CEO. He effectively sent a message to staff that it was acceptable to use the health service's resources for personal benefit.

When asked in private examination whether the work he had done at various properties, and which was the subject of questioning, was improper, Mr Mulder conceded ‘in hindsight, yes, technically they were not consistent with the code [of conduct]’.

Mr Mulder temporarily stood down as CEO in early February 2017.

5.3. Recommendations

Pursuant to section 159(1) of the IBAC Act, IBAC makes the recommendations outlined below:

Recommendation 1

That Bendigo Health thoroughly review its integrity and corruption prevention policies and procedures in the following areas to ensure the vulnerabilities identified in Operation Liverpool have been addressed, and that employees fully understand their obligations:

- a. code of conduct and values
- b. gifts, benefits and hospitality
- c. conflict of interest
- d. audit and risk management.

Recommendation 2

That Bendigo Health consider the introduction of a 'declarable associations' policy to require employees to identify, declare and manage associations that may be incompatible with an employee's professional responsibilities.

Recommendation 3

That Bendigo Health thoroughly review the policies, procedures and practices in the following areas to ensure the corruption vulnerabilities identified in Operation Liverpool have been addressed:

- a. procurement
- b. asset management
- c. information security, particularly in relation to tendering information for major projects.

Recommendation 4

That Bendigo Health review its training to ensure employees' understanding of relevant policies and procedures. Further, that training specifically addresses corruption risks and ethical dilemmas, and is tailored for employees in identified high-risk positions (such as employees with responsibility for procurement).

Recommendation 5

That Bendigo Health confirm that all goods and services provided to Mr Mulder in a private capacity have been paid for in full.

Recommendation 6

That Bendigo Health report back to IBAC on action taken in relation to recommendations 1 to 5 by 30 September 2017. This report will be published on IBAC's website.

Recommendation 7

That the Department of Health and Human Services consider the issues raised in Operation Liverpool and whether similar vulnerabilities could exist in other Victorian health services. The Department is to report to IBAC by 30 September 2017 on steps taken to address any such vulnerabilities in the broader health sector.

6 Appendices

Appendix A: Natural justice requirements and responses

To the extent that persons are identified in the report and are not the subject of adverse comment or opinion, IBAC is satisfied in accordance with section 162(7) of the IBAC Act that:

- it is desirable to do so in the public interest
- it will not cause unreasonable damage to any such person's reputation, safety or wellbeing
- each such person is not the subject, nor for that matter intended to be the subject, of any adverse comment or opinion.

To the extent that any public bodies and any persons are identified in the report and are the subject of adverse findings,¹ comment or opinion,² they have been given a reasonable opportunity to respond to same by being shown in draft³ material parts relating to them. Such responses as were received were carefully considered in final report drafting.

As required by section 162(2) of the IBAC Act, IBAC provided this report in draft to Mr Mulder as CEO so that Bendigo Health had the opportunity to respond to relevant adverse material contained in it. In doing so, IBAC drew Mr Mulder's attention to the apparent conflict between his personal interest as an individual who was the subject of adverse comment and his interest as CEO. In light of this issue, IBAC understands Mr Mulder ultimately passed the draft report to the Chair of the Board to respond on Bendigo Health's behalf.

The report was also provided in draft to the Secretary of the Department under section 163(3) of the IBAC Act so the Secretary could respond to recommendation 7, and because of the position of conflict Mr Mulder was in as aforesaid. The Secretary made no comment in relation to the recommendation.

In accordance with sections 162(2) and (3) respectively of the IBAC Act, responses received – to the extent they are of the kind provided for in the IBAC Act – are set out below.

Bendigo Health

Adequacy of systems and controls at Bendigo Health (section 4)

Bendigo Health refers to the review it commissioned into procurement practices within the Construction Management unit, which concluded that:

- the normal controls in place at Bendigo Health relating to contract management and financial management were strong, and that Mr Hardinge used the new hospital development to deliberately bypass the normal controls at Bendigo Health
- Mr Hardinge and his manager had reinforced to the Procurement Manager that controls for the new hospital development rested outside the usual Bendigo Health controls
- a separate oversight entity (the steering committee) had responsibility for all aspects of control over the new hospital development, and the normal contract and financial management oversight of Bendigo Health did not apply.

Bendigo Health says it was the environment created by Mr Hardinge and his manager, rather than inadequate controls, that allowed Mr Hardinge's inappropriate practices to occur. It says the review report included several recommendations relating specifically to the construction management unit (not Bendigo Health more broadly), which have been accepted and implemented.

¹ In relation to public bodies.

² In relation to persons.

³ Being tentative findings.

Bendigo Health disagrees that there was any toxic culture as suggested by Mr Hardinge and says his opinion should not be considered as free from bias. Bendigo Health refers to staff surveys conducted by Best Practice Australia in 2010 and 2013, the latter of which had 1613 responses and reported:

- improved organisational culture since the 2010 survey
- more engaged employees (37 per cent) compared to Public Healthcare – Government (33 per cent) and Public Healthcare (36 per cent)
- fewer disengaged employees (17 per cent) compared to Public Healthcare – Government (22 per cent) and Public Healthcare (20 per cent).

Bendigo Health nevertheless acknowledges that the Buildings and Infrastructure division reported the poorest culture across all divisions of Bendigo Health.

John Mulder

Repair to floorboards at Flora Hill property (section 3.1.1)

Mr Mulder maintains his evidence that he asked Mr Hardinge (who was then a registered builder) or his manager to find him a contractor who could have a look at some floorboards. Mr Mulder also maintains that he specifically told Mr Hardinge or his manager (he could not recall whom) to make sure that he was charged for the work. He denies that he asked, wanted or expected such work to be done by Bendigo Health employees or contractors on 'Bendigo Health time' and that he never intended to pay for it.

Regarding claims he said 'I want a bill, but not a big one', Mr Mulder says this was not only not improper, but supports his position that he always intended to pay proper value for all work done, and that he regularly asked Mr Hardinge for bills.

He says further that, simply being contractors or employees of Bendigo Health did not prevent them from doing other work for clients outside Bendigo Health time. Mr Mulder would have expected they would not have been called away from other vital projects or anywhere their work was required in order to do work for him.

Mr Mulder otherwise notes that the report does not state that he knew the work would be or was done on Bendigo Health time. Further, he was never aware that the men who did the work were taken away from another job. He also states that his evidence should be preferred to that of Mr Hardinge (who pleaded guilty to dishonesty offences) and his manager (who issued wrongful dismissal proceedings against him).

He states he knew Mr Hardinge was a registered builder and had some access to contractors. Having Mr Hardinge find the contractors would facilitate the invoices being directly presented to Bendigo Health (Building and Engineering Services) so they could be paid as a legitimate expense as a part of his salary packaging arrangement with Bendigo Health. Bendigo Health administers salary packaging arrangements for its employees for an annual fee.

Appendix A: Natural justice requirements and responses

Other work at the Flora Hill property – repair of downpipe (section 3.1.2)

Mr Mulder maintains that he had re-routed the downpipe himself while living in the house and wanted to reinstate it as it was when Bendigo Health took up the lease. Further, that he expected the invoice would be sent directly to Building and Engineering Services for payment so that ultimately the cost could be deducted from his salary. He otherwise notes that the report does not conclude that he deliberately sought to have Bendigo Health staff conduct the work on Bendigo Health time so that he would not have to pay for the work.

Other work at the Flora Hill property – landscaping (section 3.1.2)

Mr Mulder maintains his evidence that he had asked Mr Hardinge to do some grounds work including putting down some bark and throwing a load of gravel on the driveway, and to make sure he was billed.

Mr Mulder also maintains his evidence that he did not ask for or expect Bendigo Health employees to do any of this work, he did not expect Mr Hardinge to bring Bendigo Health staff on-site, and he did not expect that such work would occur on Bendigo Health time. Further, he expected the invoice for this small amount of work to be billed to Bendigo Health so it could also be deducted from his salary. He says that he was not present when all the work was done and did not know who was to do it, and that much more was done than he asked to be done.

To the extent that Mr Mulder agreed in his examination that landscaping was to prepare the property for end of lease sale, he says that the work was to return the house to the same condition as he found it at the beginning of the lease.

Mr Mulder says he had nothing to do with Mr Hardinge later castigating two Bendigo Health employees for telling other staff about the work done at Flora Hill and was not aware that threats were made to one employee for 'blowing the whistle' on this work.

Other work at the Flora Hill property – painting (section 3.1.2)

Regarding Person 1 having done some painting at the Flora Hill house valued at between \$3000 and \$3500, Mr Mulder maintains his evidence as set out in the report about its extent and value. He says, that Person 1's evidence is not reliable, especially as it was based only on recollection a few years after work was done.

Mr Mulder also maintains his evidence at examination of a conversation he had with an executive associate about Person 1 and the painting that Person 1 did at the Flora Hill house, to the effect that the associate said that Person 1 told him, the associate, that the painting at Flora Hill was a very small job, a touch-up and that he, Person 1, was not going to send an invoice.

Otherwise, even if such work as is alleged was done, Mr Mulder stated it was up to Mr Hardinge to ensure he was billed for it, and that the non-billing was a matter between Mr Hardinge and Person 1.

Work at other properties – transport of glass ambulance depot door (section 3.1.3)

Mr Mulder maintains his evidence that this door was a part of a building that had been demolished, the material from which was to be taken to the tip by the demolishers. Instead, the demolishers said he could have the door, saving them the cost and trouble of taking it to the tip. Mr Mulder also explained that Mr Hardinge told him the door could be delivered, 'back-loaded', on a truck at no cost to anyone, and he was intending to use his own trailer to take the door to his Torquay property himself but, in light of what Mr Hardinge said, agreed to have it delivered on a back-load. Mr Hardinge arranged the delivery without further reference to Mr Mulder.

Mr Mulder says there is no evidence he knew of the invoice for \$1319 allegedly sent to Bendigo Health by Company D, or of it having been 'questioned' and sent back. Mr Mulder maintains his evidence that he did not know a cost had been incurred for the transport of the door.

Remuneration arrangements (section 3.2)

Mr Mulder relies on the two reports obtained in July and August 2015 and referred to in section 3.2, as well as Bendigo Health's knowledge and approval of his remuneration arrangements as vindicating his position over the legitimacy and propriety of same.

He says further that he did not seek to have false invoices drawn so that he could avoid the full cost of property expenses and that he did not engage in attempts to avoid cost of property expenses for which he knew he was liable.

Conclusions and recommendations – John Mulder (section 5.2)

Regarding Mr Mulder only expecting 'token' bills and not ones for true value, he says this meaning attributed to his words in the report is not open, and that they were not improper, but support his position that he always intended to pay proper value for all work done and that he regularly asked for bills.

Regarding the finding that Mr Mulder must have soon realised he was not being billed or otherwise paying for the works in question, and that he was content for that to remain the case until after he became aware of IBAC's investigation, he says this equally serious allegation is also not open on the evidence and denies that he so realised or intended.

Further, if Mr Hardinge had submitted accounts to Bendigo Health as Mr Mulder instructed, he says the amounts would have been deducted from his gross salary over time. Even then, consistent with the arrangements for payment of living away from home allowance accommodation expenses, he says he would have received no notice of these payments and would not have noticed them over the time during which the deductions would have occurred.

Regarding payments made by Mr Mulder after he was aware of IBAC's investigation, he says that he made them after first becoming aware they had not been made. This was as a result of his instigation of a full reconciliation of all work he had requested after finding out that Mr Hardinge had, contrary to his instructions, failed to ensure that he, Mr Mulder, was charged for work done.

Regarding Mr Mulder making admissions in evidence that work he had done at various properties was improper, he says he did not intend to so concede in his examination. He otherwise disputes any tacit suggestion that he engaged in any instances of misconduct, or that during his evidence he acknowledged or intended to acknowledge that such conduct was improper.

Mr Mulder relies on the Best Practice Australia report referred to in Bendigo Health's response as evidence of the culture at Bendigo Health, and disputes there was any toxic culture there.

Appendix B: Previous IBAC special reports

Publications date	Report title
November 2013	Special report concerning certain operations in 2013
February 2014	Special report concerning allegations about the conduct of Sir Ken Jones QPM in relation to his dealings with certain confidential Victoria Police information
April 2014	Special report following IBAC's first year of being fully operational
October 2014	Operation Fitzroy: An investigation into the conduct of former employees of the Department of Transport/Public Transport Victoria, Barry John Wells and Hoe Ghee (Albert) Ooi, and others
August 2015	Special report concerning Police Oversight
April 2016	Operation Ord: An investigation into the conduct of officers at the Department of Education and Early Childhood Development
May 2016	Operation Darby: An investigation of Mr Nassir Bare's complaint against Victoria Police
October 2016	Operation Exmouth: An investigation into the conduct of former Victorian public servant, Carmine Petrone
November 2016	Operation Ross: An investigation into police conduct in the Ballarat Police Service Area
December 2016	Special report concerning illicit drug use by Victoria Police officers: Operations Apsley, Hotham and Yarrowitch
January 2017	Operation Dunham: An investigation into the conduct of officers of the Department of Education and Training, including Darrell Fraser, in connection with the Ultranet project and related matters

