

Report on suspected irregularities in the expenditure of the HSU National Office

Findings

64. Below We deal separately with the allegations regarding Adult Services, Cash Withdrawals and Electoral expenditure. As regards the remainder of the Disputed Transactions, Our view at this point in the Investigation follows.

We are prepared to conclude, based on the limited material available to us, that a number of the Disputed Transaction are not, on the information available to us, appropriate expenditures. We remain open to be persuaded to the contrary point of view. Those expenditures are tabled below:

Date	Payee	Amount (\$)	Details of Transaction	Cardholder
28-Jan-03	Qantas Airways	856.52	Melb/Perth Rtn in name of Mrs Christa Thomson	C Thomson
13-Sep-05	Qantas Airways	1,086.16	Mel/Syd Rtn in name of Mrs Christa Thomson	C Thomson
21-Sep-05	Qantas Airways	323.08	Mel/Syd Rtn in name of Mrs Christa Thomson	C Thomson
03-Dec-05	Qantas Airways	664.64	Syd/Mel Rtn in name of Mrs Christa Thomson	C Thomson
20-Jan-06	Qantas Airways	962.22	Mel/Syd Rtn in name of Ms Alison Soutar	C Thomson
09-Feb-06	Qantas Airways	422.81	Syd/Mel Rtn in name of Mrs Christa Thomson	C Thomson
07-Apr-06	Qantas Airways	561.82	Syd/Mel Rtn in name of Mrs Christa Thomson	C Thomson
02-May-06	Qantas Airways	38.50	in name of Mrs Christa Thomson	C Thomson
07-May-06	Qantas Airways	38.50	in name of Mrs Christa Thomson	C Thomson
21-Apr-06	Comme Ci Comme Ca	198.00		C Thomson
15-Jun-06	Qantas Airways	806.46	Syd/Adl Rtn in name of Mrs Christa Thomson	C Thomson
13-Aug-06	Qantas Airways	548.82	Syd/Mel Rtn in name of Mrs Christa Thomson	C Thomson
29-Aug-06	Qantas Airways	1,228.78	Syd/Per Rtn in name of Mrs Christa Thomson	C Thomson
04-Jan-07	Qantas Airways	283.39	Syd/Mel Rtn in name of Mrs Christa Thomson	C Thomson
10-Feb-07	Qantas Airways	1,038.78	Syd/Mel Rtn in name of Mrs Christa Thomson	C Thomson
15-Feb-07	Nike	144.90		C Thomson
02-Mar-07	Qantas Airways	1,448.78	Syd/Adl Rtn in name of Mrs Christa Thomson	C Thomson
07-May-07	Qantas Airways	688.78	Syd/Adl Rtn in name of Mrs Christa Thomson	C Thomson
25-May-07	Qantas Airways	693.49	Syd/Adl Rtn in name of Mrs Christa Thomson	C Thomson
21-May-07	Strandbags	354.95		C Thomson
02-Aug-07	Qantas Airways	696.78	Syd/Mel Rtn in name of Mrs	C Thomson

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Date	Payee	Amount (\$)	Details of Transaction	Cardholder
			Christa Thomson	
08-13-06	Qantas	548.82	Mel/Syd & Syd/Mel in the name of Mrs C Thomson	C Thomson
01-04-07	Qantas	283.39	Mel/Syd & Syd/Mel in the name of Mrs C Thomson	C Thomson
02-10-07	Qantas	1,038.78	Mel/Syd & Syd/Mel in the name of Mrs C Thomson	C Thomson
21-01-06	Virgin Blue	382.00	Mel/Syd in name of Joshua Stevens	C Stevens
08-12-06	Virgin Blue	60.00	Tickets in the name of Joshua Stevens Hba/Syd 25 Jan 07	C Stevens
07-08-09	Cumberland Newspaper Group	707.68	Payment of Advert No. 2134094 in CC Express Advocate for "Coastal Voice"	C Stevens
07-08-06	Cumberland Newspaper Group	844.56	Payment of advert No. 2254825 in CC Express Advocate for "Coastal Voice"	C Stevens

- i). We have been instructed that, at all relevant times, the Union did not maintain a policy of permitting spousal/partner travel. It is on this basis that We have included travel attributed to Ms Christa Thomson and Mr. Joshua Stevens as inappropriate expenditure. Thomson indicated in conference that there had been a discussion within the Union about his partner traveling on occasions at the expense of the Union and that travel of this nature was not concealed from members of the Executive.
- ii) A number of the other transactions in the table appear to be retail purchases that are not, on their face, consistent with the furtherance of the Union's objectives.
- iii) S&G's communication with vendor's revealed that 2 instances of advertising paid by Ms Stevens were for a community group based on the Central Coast of NSW known as "Coastal Voice". It does not appear, from the advertisement or otherwise, that this group was connected with the Union or its activities. Support for the group does not appear to have been considered by Executive. It has been reported that Thomson was President of the group. Thomson commented when asked about Coastal Voice that "Modern progressive unions often try and form relationships and work with community groups that have similar goals and promote ideas consistent with the union's objects. Coastal Voice was one such group that conducted forums on amongst other things, Industrial Relations, Aged Care and Health. The assistance provided involved minimal expenditure."

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65. Otherwise we, like the officers, have been unable to demonstrate the purpose of the balance of the Disputed Transactions.

Adult Services

66. The officers identified several transactions primarily on the CBA MasterCard which were thought to be Adult Services, demonstrably not proper expenditure to be incurred on a Union credit card.

Investigation Outcomes

67. Thomson has categorically denied ever attending these places. He has stated that he was not in the State of NSW on each and every date of the relevant transactions (indeed on at least one occasion he claims he was not in NSW for the entire month surrounding the particular transaction).
68. Attachment 6 to this report is a schedule listing transactions recorded on Thomson's Diners Club card and on the CBA MasterCard on days surrounding the dates on which the alleged Adult Services are recorded on the CBA Mastercard cardholder statement.
69. The alleged Adult Services are as follows:

Date	Transactions Details	Amount
26 Feb 03	Aboutoun Catering North Sydney	\$330.00
11 Mar 03	Keywed Pty Limited Restaur Surry Hills	\$570.00
9 Apr 05	Keywed Pty Limited Restaur Surry Hills	\$2,475.00
11 June 05	Nolta Pty Limited Surry Hills	\$418.00
26 Aug 06	Staff Call, Surry Hills	\$660.00
16 Aug 07	Keywed Pty Ltd Restaur Surry Hills	\$385.00
16 Aug 07	Keywed Pty Lld Restaur Surry Hills	\$385.00

70. Aboutoun Catering is listed in the on-line Yellow pages as an Escort Service located at Milsons Point, NSW. The business name is no longer registered and appears not to have been registered since 2004. Contact was made by telephone and post and no information was forthcoming from those inquiries.
71. Thomson has advised that he was in Perth between 21 February 2003 and 27 February 2003. There was an Executive meeting of the Union in Perth on 25 & 26 February 2003. Transactions are recorded on the CBA MasterCard in Fremantle on 26 February 2003.
72. Keywed Pty Limited was, until publicity connected to this Investigation, a company listed on the website Sydneyoutcalls.com as the payee for clients of the Sydney

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Outcalls Network, an escort agency. Room Service Escort Network, a trading name appearing on the website and described as a provider of Hostess Services, is registered to Keywed Pty Limited and has been since 15 February 2000. We have corresponded with solicitors instructed by Keywed who have declined to provide any information regarding the above transactions.

73. Thomson has advised that on 9 April 2005 he was in Melbourne. There was an Executive meeting in Sydney on 7 and 8 April 2005 and Thomson's Diners Card records a meal in Surry Hills on 8 April 2005. Moreover, there are 3 transactions identified on Thomson's Diners Card statement on 7 & 8 April 2005 totalling \$1,670 to Keywed which are reversed on 8 April.
74. Staff Call is identified on a NSW Business names Extract as a business name owned by Mr. Peter Lazaris operating from 377 Riley St Surry Hills NSW and described as an Escort Agency. Its principal place of business from November 2004 to Mar 2008 is also the address of the 'Touch of Class' brothel. We have corresponded with Mr. Lazaris who has, at the date of this report, not replied. The Business name ceased to be registered on 3 March 2008. Thomson has not provided any specific response to this transaction.
75. Nolta Pty Limited is a company, the registered office of which is located at 93 Albion St, Surry Hills. A current Business name extract shows that Nolta is the owner of the business name 'Tiffanys Girls' which is the trading name of a brothel at 99 Albion St, Surry Hills. We have corresponded with Nolta Pty Limited and have not received a response. Thomson has advised that he was in Melbourne on 11 June 2005.

Findings

76. We are unable to demonstrate conclusively whether or not Thomson accessed Adult Services using his Union credit card.
77. Thomson informed Us that he would receive his credit card statement and attach invoices or other supporting documents or explanations for transaction items and send it to the financial controller for recording in the accounting records of the Union. Despite Thomson following this procedure he could not explain why he did not note, prior to this investigation, transactions on his credit card statement that he claims were not incurred by him. He also advised that the financial controller would follow up with cardholders any omitted supporting documents for transactions. However, he could not explain why the financial controller did not seek supporting invoices/documents from him for these transactions which would have revealed the issue when he could not produce supporting invoices/documents for transactions not incurred by him.
78. We are not satisfied that the mere fact that a service was recorded on the cardholder statement on a date when Thomson was not in New South Wales is conclusive proof

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that the service was not incurred by him, having regard for the not uncommon practice of credit card transactions being processed on days following the provision of the service to which the transaction relates and the possibility that payments may have been made remotely.

79. We are unable to reconcile Thomson's denials with the accounting procedures said to have been in operation during the Period.

Cash Withdrawals

Investigation Outcomes

80. The BDO Schedules verify that about \$100,000 was withdrawn from various ATM machines using the CBA MasterCard in the period from November 2002 to November 2007. During Our Investigation the following matters have been revealed:
- (a) Thomson was the only authorised signatory to the CBA MasterCard and was the sole cardholder;
 - (b) Thomson indicated that he did not give the CBA MasterCard to other persons within the Union.
 - (c) We have compared the location of a sample of cash withdrawals (July 2005 – Nov. 2007) with Mr. Thomson's travel (as disclosed by air travel paid using his credit cards). That analysis reveals that Thomson was able to have made each cash withdrawal sampled.
 - (d) The financial controller interviewed indicated that cash withdrawals were 'generally' accompanied by a memo or voucher.
 - (e) Mr. Dick reported following his exit audit that none of the cash withdrawals from July 2007 to November 2007 were supported by invoices or vouchers. Mr. Dick indicated to Us that the cash withdrawals tended to be brought to the Union's accounts as 'meeting expenses'. Thomson maintained that he had continued his practice of returning his cardholder statements with either receipts or vouchers throughout his term, including in the period from 1 July 2007 to December 2007.
 - (f) Thomson maintained the practice of cash withdrawals had been in place in the Union before he assumed his position and was not unusual in other trade unions. These propositions have been contested by officers of the Union (who served during the Period and continue to hold office). He indicated in conference that the money had been used for a variety of activities consistent with the Budget of the Union and approved according to the Rules. When asked for an example, he nominated that an Aboriginal elder who had participated in "Welcome to country" at a National Conference of the Union had specified payment in cash. Otherwise he indicated that sometimes cash was a

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preferred means of meeting Union obligations, particularly when traveling. He declined to provide further specific details or actual examples. He emphasized that any cash withdrawn was dealt with under the process of dealing with Union expenditure previously described, namely, that all records of the CBA account and Diners Club account were dealt with by the Union's financial controller and dealt with consistent with the endorsed Budget of the Union and reported regularly to the Executive. Further that cash withdrawals were supported by invoices, dockets or explanations submitted to the financial controller.

Findings

81. We are satisfied that Thomson withdrew the cash identified in BDO Schedule A using his Union CBA MasterCard. We are unable to say what use was made of the cash withdrawn using that CBA MasterCard. We are also unable to conclude whether every cash withdrawal was appropriately supported by an invoice or voucher throughout the Period.
82. The practice of withdrawing cash using a Union credit card is a practice which the Union should ensure never occurs again. The practice is the antithesis of transparency and accountability. Having regard for the widespread acceptance of credit cards, it is difficult to foresee the need a Union official would have for cash at the amounts withdrawn. We strongly recommend, to the extent that this process may still persist within the organisation, that it be stopped forthwith.

Was money spent by the Union on Thomson's election?

83. From about early 2006 Thomson lived on the Central Coast of NSW and worked from offices in Sydney. In or about March of 2007, Thomson was pre-selected by the Australian Labor Party ("ALP") as the ALP candidate in the Federal seat of Dobell located on the Central Coast of New South Wales. Following his pre-selection until the Declaration of the poll, Thomson remained the National Secretary of the Union.
84. The officers' investigation raised concerns regarding whether expenses were incurred by the Union in the period from about 2006 which were expenses connected with Thomson's election to the Federal Parliament.
85. We have been instructed that from a time in or about 2005 the Union's state office established an office on the Central Coast. We were also instructed that from about September 2005, Ms Criselee Stevens was employed by the Union and was also based on the Central Coast. Thomson indicated that Ms Stevens was for a time engaged in the ACTU's Organising Works program which brought certain other responsibilities and that she at all relevant times lived on the Central Coast. In 2007, Mr. Matthew Burke was employed casually by the Union and also based on the