PARLIAMENT OF TASMANIA

PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS

Royal Society for the Prevention of Cruelty to Animals (RSPCA) Inquiry

Members of the Committee:

**Legislative Council**

Hon Ivan Dean MLC (Chair)

Hon Ruth Forrest MLC  
(to 20 March 2013)

Hon Paul Harriss  
(from 28 May 2013)

Hon Adriana Taylor  
(from 16 April 2013)

Hon Jim Wilkinson MLC (Chair)  
(to 3 May 2013)

**House of Assembly**

Mr Brenton Best MP

Mr Kim Booth MP

Mr Peter Gutwein MP
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Hon Ruth Forrest, MLC (to 20 March 2013)  
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<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act</td>
<td>Animal Welfare Act 1993 (Tas)</td>
</tr>
<tr>
<td>Board</td>
<td>RSPCA Tasmania Inc Board</td>
</tr>
<tr>
<td>DPIPWE</td>
<td>Department of Primary Industries, Parks, Water and Environment</td>
</tr>
<tr>
<td>Policy</td>
<td>RSPCA Governance Policy (March 2012)</td>
</tr>
<tr>
<td>Report</td>
<td>This document, the report of the Public Accounts Committee.</td>
</tr>
<tr>
<td>RSPCA</td>
<td>Royal Society for the Prevention of Cruelty to Animals Tasmania Inc</td>
</tr>
<tr>
<td>Ruddicks</td>
<td>Ruddicks Chartered Accountants</td>
</tr>
<tr>
<td>Vet Clinic</td>
<td>Elsie Cameron Veterinary Clinic</td>
</tr>
</tbody>
</table>
CHARTER OF THE COMMITTEE

The Public Accounts Committee

The Public Accounts Committee (the Committee) is a joint standing committee of the Tasmanian Parliament constituted under the Public Accounts Committee Act 1970.

The Committee comprises six Members of Parliament, three members drawn from the Legislative Council and three members from the House of Assembly.

Its functions under the Public Accounts Committee Act (Section 6) are to inquire into, consider and report to Parliament on:

- any matter referred to the Committee by either House relating to:
  - the management, administration or use of public sector finances; or
  - the accounts of any public authority or other organisation controlled by the State or in which the State has an interest;

- any matter arising in connection with public sector finances that the Committee considers appropriate; and

- any matter referred to the Committee by the Auditor-General.¹

The Committee also has oversight responsibilities regarding the independence of the Auditor-General, which are derived from the Audit Act 2008 (Tas).

¹ Public Accounts Committee Act 1970 (Tas), s.6
EXECUTIVE SUMMARY

Background

The Parliamentary Standing Committee of Public Accounts (the Committee) Inquiry was conducted against a backdrop in which the Royal Society for the Prevention of Cruelty to Animals Tasmania Inc (RSPCA) had received unfavourable media attention amidst publicly aired internal dysfunction. It also appeared that the RSPCA was fraught with challenges in respect of financial, human resource and strategic management and was an organisation experiencing stakeholder engagement issues.

The Committee received insights from many witnesses. Statements and submissions were received from the RSPCA, concerned individuals and stakeholders. This was a highly emotive Inquiry with respect to the manner, form and substance of witness testimonies. It was clear to the Committee that passion for both the organisation and animal welfare was evident in all cases.

Findings and Recommendations

A number of findings and recommendations have been made in this Report. These are detailed in Chapter Nine (p. 65).

In general terms, the Committee found that the RSPCA brand is strong and its importance to the community with respect to animal welfare is invaluable. Notwithstanding that animal welfare issues will always be challenging, Inspectorate services provided to the Government (particularly, the Department of Primary Industries, Parks, Water and Environment (DPIPWE)) in administering the Animal Welfare Act 1993 (Tas) (the Act) are highly valued by DPIPWE.

Whilst the Inquiry found evidence of dysfunction within the RSPCA, the core of the organisation is not broken. However, the Committee is of the view that the RSPCA is not currently well placed to receive or expend government monies. It is the Committee’s view that the RSPCA has been distracted over a long period from its core functions which have highlighted the need for an organisational review and restructure. Factors which have contributed to this finding include its present structure, governance and operating model.

Furthermore, there are underlying questions around the sustainability of the RSPCA if it does not implement good governance practices, new strategies and direction.

The Committee’s recommendation with respect to the above findings is not prescriptive. It is overarching to provide a broad pathway for any future direction by the RSPCA or DPIPWE.
The recommendation is detailed on p. 68 of this Report and provides broad support for a new business model and restructure of the RSPCA as well as implementation of an enhanced governance framework and processes.

It is the Committee’s view that before any future funding agreement is committed to, the Government must be satisfied that the RSPCA has restructured appropriately, taking account of the findings of this Committee.

DATE: 4 November 2013

HON. IVAN DEAN MLC

COMMITTEE CHAIR
CHAPTER ONE - INTRODUCTION

Background

The Term of Reference

1.1 The Committee had the Term of Reference for this Inquiry referred to it from the House of Assembly on 14 November 2012. The Term of Reference was:

_to investigate and report upon the capacity of the RSPCA to receive and expend public monies in accordance with public expectations._

Structure of Report

1.2 The RSPCA Inquiry report (the Report) is broken down into the following sections:

- Introduction
- RSPCA Background
- The Financial Position of the RSPCA
- DPIPWE Support for RSPCA
- The Board
- Governance
- Ruddick Report
- The Future
- Findings and Recommendations

Chapter One (this chapter)
Chapter Two
Chapter Three
Chapter Four
Chapter Five
Chapter Six
Chapter Seven
Chapter Eight
Chapter Nine

Process of the Review

Submissions from stakeholders and interested parties

1.3 The Committee called for submissions from interested parties on 1 December 2012. The closing date for submissions was 18 January 2013. The Committee received a number of submissions. In order to fully understand the complex situation at hand the Committee determined that submissions received after the closing date would also be accepted.
Hearings Initiated

1.4 Following the review of responses received from the call for submissions, the RSPCA and DPIPWE were invited to appear before the Committee and make relevant representations.

1.5 Representatives from other relevant organisations were also invited to appear and on 20 March 2013, 17 April 2013, 6 May 2013, 14 June 2013, 20 June 2013 and 26 June 2013 it held public hearings. Transcripts of the evidence are available on the Committee’s website: pac@parliament.tas.gov.au. Please refer to Appendix Two for the list of witnesses.

1.6 Private hearings were also held by the Committee on 6 May 2013 and 14 June 2013.

1.7 The Committee would like to thank all parties that contributed to this Inquiry.

Focus of the report

1.8 The Committee heard evidence from key stakeholders and individuals.

1.9 In particular, it was informed of individual actions and operational incidents which affected the running of the RSPCA. The Committee received specific examples of administrative incidences of dysfunction and dispute between the Board and former CEOs, since 2008.

1.10 The Committee appreciated the willingness with which all parties appeared before it and the effort shown in the written submissions tendered. The Committee appreciates the frank and candid manner in which many witnesses provided it with information. The Committee thanks all of those who contributed to the Inquiry, however, notes that due to its Term of Reference, it is limited in its capacity to remark on individual issues and occurrences.

1.11 While appreciating the frankness of most witness representations, the Committee holds grave concerns as to the accuracy of some evidence received. The Committee’s attention was drawn to particular instances of apparent contradictory evidence given to it, which was recorded in publicly available Hansard transcripts. As the evidence related to matters outside the Term of Reference for this Inquiry, it did not form part of the Committee’s deliberations.

1.12 While some witness statements provided useful context and background, if witness statements pertained to matters outside the Term of Reference then they were unable to be considered in the Committee’s deliberations. In the provision
of public money to a third party, the Government needs confidence that the funds will be:

(i) administered within an appropriate, accountable and functioning framework; and that
(ii) they are provided to a suitably structured organisation that has the ability to meet future challenges.

This has been a key focus of the Inquiry.
CHAPTER TWO – RSPCA BACKGROUND

2.1 The Royal Society for the Prevention of Cruelty to Animals has had a presence in Tasmania since 1872 (although it was known as the Society for the Prevention of Cruelty to Animals until 1923).²

2.2 Whilst all Australian states and territories have had their own societies for some time, it was not until 1980 that the national body, RSPCA Australia was formed.³ This federation has the united objectives:

1. To give the RSPCA movement in Australia a national presence; and
2. To promote unity and commonality of purpose between the eight RSPCAs.⁴

2.3 With regard to the interplay between the state and national body, the RSPCA website explains:

Member Societies operate independently, however, the National Board of the RSPCA meets several times a year to formulate national policy and plan the future direction for the RSPCA.⁵

The current Tasmanian representative on the board is the Tasmanian President, Dr Paul Swiatkowski.⁶

2.4 On their Tasmanian website, the RSPCA states:

The RSPCA is an organisation created by the community and driven by strong community support. Without public backing the RSPCA would cease to function and without the services of the RSPCA the future for thousands of Australian animals would look bleak.⁷

2.5 Evidence provided by the current President, Dr Swiatkowski, suggests that the RSPCA’s role in Tasmania has been varied.

The RSPCA performs a very important service in the community in looking after animals and animal welfare... Statistically, I do not think there is any

³ Ibid.
⁴ Ibid.
⁶ Ibid.
comparison around Australia in terms of the inspectorate. Per head of population we have the greatest number of prosecutions, investigations and random inspections.\(^9\)

2.6 In outlining how their money is expended, Dr Swiatkowski suggested:

> As to what it does, from our statistics I think it costs us more than $300 per animal to look after and re-home on average. In animal welfare, we are cost-intensive and there is no other way around it.

> What the RSPCA wants is support in terms of what we do, both support from the government and the community.\(^9\)

2.7 Dr Swiatkowski informed the Committee:

> We reviewed the core functions of the RSPCA in July 2012... and principally the main core function that we saw was prevention of cruelty to animals, which represented the inspectorate, and looking after the welfare of animals, which represented the shelters.\(^10\)

2.8 He continued to note other functions such as:

> ... political lobbying to facilitate change. In recent press we have made comments about sentences being too lenient in some cases, and maybe the judiciary not taking animal welfare as seriously as they should. We certainly understand that that may be opinionated.

> The fourth aspect of what we identify was basically education in terms of a new generation as to what current community expectations are and what future expectations are. There have been significant shifts in intensive industries such as battery hens and sow stalls. We commend the government for tackling that. Also in the media has been live animal exports. Those sort of intensive industries are really amongst the last bastions of animal welfare that need to be tackled. That is really, in a nutshell, what we believe.\(^11\)

2.9 In commenting on the operational performance of the RSPCA, Ms Angela Ayling, Vice-President informed the Committee that:

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\(^9\) Dr Paul Swiatkowski, RSPCA President, Transcript of Evidence, Hobart, 20 June 2013, p. 2

\(^{10}\) Ibid., p. 1

\(^{11}\) Ibid., p. 2
Our routine statistics are far more exceptional than the national average with regard to a lot of matters. We euthanase about 8 per cent fewer animals than the national average. Our inspectorate performance is greater in most areas than the national average. We operate the inspectorate service. We also operate three animal care centres throughout Tasmania and also educate and conduct lobbying for improvements to animal welfare. Those are principally the core objectives of RSPCA Tasmania.

This is about how well we do our job and we are very proud of it. We have the smallest demographic and probably one of the most unfortunate demographics in terms of money in Tasmania, yet we exceed at all levels. In our shelter statistics and our inspectorate statistics we exceed and we think we do pretty well. We get a lot of bang for our buck with regard to that.\textsuperscript{12}

2.10 Whilst providing evidence to the Committee, Mr Paul McGinty, the RSPCA’s Chief Inspector noted:

There is a lot of support out there. We had our Million Paws Walk recently, which is our annual fund raiser, one-off. I worked on a merchandise stall and we had hundreds of people approach us and they were all just so positive...To hear hundreds of people approach and they did not even know that I was even an employee. They thought I was just a volunteer - I was not in uniform - and they were approaching us saying so many positive things. It was not about them walking their dog around an oval, it was about them showing their support for us, and there were a lot of people there. Dr Paul was quite correct, there is a lot of support for us out there and it is not all doom and gloom.\textsuperscript{13}

\textsuperscript{12} Ms Angela Ayling, RSPCA Vice-President, Transcript of Evidence, Hobart, 6 May 2013, p. 1
\textsuperscript{13} Mr Paul McGinty, RSPCA Chief Inspector, Transcript of Evidence, Hobart, 20 June 2013, p. 39
CHAPTER THREE - THE FINANCIAL POSITION OF THE RSPCA

Background to financial position

3.1 As advised in Chapter One of this report, financial concerns regarding the RSPCA were made known to the Tasmanian Government from March 2012. Issues affecting the RSPCA’s financial position were ongoing and in November 2012 the Committee was instructed via parliamentary referral from the House of Assembly “to inquire into the capacity of the RSPCA to receive and expend public monies in accordance with public expectation.”

Financial Position

3.2 The RSPCA’s net assets/equity position deteriorated between 2011 and 2012 by $825,000, which was the reported loss for the year 2011-12. Net assets as represented by Total Members funds were $1.443m at 30 June 2012 (a decrease from $2.269m at 30 June 2011).

3.3 The loss in the 2011-12 financial year was largely due to a recorded loss from operations.
   - The loss from operations in 2011-12 was $1.75m (2010-11: $606k loss).

3.4 The operating loss information is highlighted in the comparative table below:

<table>
<thead>
<tr>
<th></th>
<th>2011-12 17</th>
<th>2010-11 18</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Revenue</td>
<td>2312 $'000</td>
<td>2767 $'000</td>
<td>-16%</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>4063</td>
<td>3373</td>
<td>+20%</td>
</tr>
<tr>
<td>Net operating Revenue (Expense) for year</td>
<td>(1751)</td>
<td>(606)</td>
<td></td>
</tr>
<tr>
<td>Add: Non operating revenue</td>
<td>925</td>
<td>996</td>
<td>-7%</td>
</tr>
<tr>
<td>PROFIT (LOSS) FOR YEAR</td>
<td>(825)</td>
<td>389</td>
<td></td>
</tr>
</tbody>
</table>

3.5 The change from the above reported profit in 2010-11 of $389k, to a loss situation of $825k in 2011-12, was a turnaround of some $1.2m over the year.

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14 Letter from the Clerk of the House of Assembly to the Committee dated 14 November 2012, p. 1
15 All 2011-12 figures in this report extracted from the 2011-12 audited Financial Statements provided to the Committee by the RSPCA’s Auditors, Ruddicks Chartered Accountants on 18 July 2013 (Financial Statements)
16 As defined in the above Financial Statements
17 Figures extracted from the Financial Statements
18 Figures extracted from the 2011 Annual Report of RSPCA Tasmania

12
3.6 Key items, totalling $1.15m, that contributed to the $1.2m turnaround of profit in 2011-12 were as follows:

<table>
<thead>
<tr>
<th>Revenue Items (Decrease):</th>
<th>$546K</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sponsorship income</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense Items (Increase):</th>
<th>$143k</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Marketing and development expenses</td>
<td></td>
</tr>
<tr>
<td>• Employment expenses</td>
<td>$366k</td>
</tr>
<tr>
<td>• Corporate services</td>
<td>$112k</td>
</tr>
</tbody>
</table>

TOTAL $1.15m

3.7 The Committee notes that the RSPCA receives no funding from the national body, RSPCA Australia.

3.8 The breakdown of the main revenue items received by the RSPCA over the past two years is as follows:

<table>
<thead>
<tr>
<th>Row #</th>
<th>Revenue Item</th>
<th>2011-12 $</th>
<th>% of Total Revenue</th>
<th>2010-11 $</th>
<th>% of Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Animal Centre</td>
<td>405,306</td>
<td>13</td>
<td>442,261</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Inspectorate Service – DPIPWE Contract</td>
<td>480,000</td>
<td>15</td>
<td>600,000</td>
<td>16</td>
</tr>
</tbody>
</table>

3. Marketing & Development
   • 2011-12 total includes: telemarketing (5%), donations (19%), fundraising (54%), sponsorships (21%) and membership (1%)
   948,787 29 1,304,510 35

4. Legacies and Bequests - (non-operating item) | 897,371 28 970,544 26

5. TOTAL REVENUE | 3,237,623 | 3,763,326 |

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19 Total derived by: $389k + $825k = $1.214m
21 Ibid.
22 Figures extracted from 2011 Annual Report of RSPCA Tasmania
Sponsorships & Sponsorship Income

3.9 The RSPCA received sponsorship from a key benefactor, Ms Jan Cameron, over the years 2010-2012 (inclusive) as follows (see table next page):

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Total Sponsorship Revenue</th>
<th>Amount from Key Benefactor(^\text{23})</th>
<th>Purpose – Key Benefactor Sponsorship(^\text{24,25})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010: (^\text{26})</td>
<td>$601,522</td>
<td>$178,000</td>
<td>$75k Vet Clinic; $70k Inspectorate; $33k General Purpose</td>
</tr>
<tr>
<td>2011: (^\text{27})</td>
<td>$741,270</td>
<td>$728,100</td>
<td>General Purpose</td>
</tr>
<tr>
<td>2012: (^\text{28})</td>
<td>$195,209</td>
<td>$159,700</td>
<td>$112k Boarding subsidy; $47.7K Inspectorate subsidy</td>
</tr>
</tbody>
</table>

3.10 The effect of the above sponsorship on the RSPCA business model and its overall financial position was discussed by the RSPCA’s auditor, Mr Bob Ruddick (Auditor), in his report to the Committee dated 18 June 2013 (extract below):

2. In the 2009/10 financial year, with the engagement of a significant benefactor and the expectation of a continuing $750,000 support each year, the Society increased its business model to include 4 additional inspectors and a vet clinic. This involved a significant increase in infrastructure and operating costs which were all to be covered from the benefactor’s annual contribution.

3. Unfortunately in the 2011/12 year a dispute arose with the benefactor and the CEO of the Society. During the 2011/12 year it was uncertain as to whether the benefactor would continue to contribute to the Society, however the Society continued to operate on the expanded business model. The benefactor only contributed a small portion of the expected donation that year. Accordingly for the year ended 30 June 2012 the Society recorded a loss of $825,492 and depleted a significant portion of its cash reserves.\(^\text{29}\)

\(^\text{24}\) Ibid.
\(^\text{25}\) Letter from President RSPCA Tasmania to the Committee dated 26 November 2012, p. 1
\(^\text{26}\) Figures extracted from 2010-11 Annual Report of RSPCA Tasmania
\(^\text{28}\) Ibid.
\(^\text{29}\) Ruddicks Chartered Accountants, Report to the Public Accounts Committee, 18 June 2013, p.1
3.11 The Committee received evidence that financial support for the RSPCA was withdrawn by Ms Cameron during the 2011-12 financial year and that the RSPCA received no more sponsorship funding from that source after January 2012.\(^{30}\) Further, evidence was received that the withdrawal of this sponsorship had a significant impact on the RSPCA, largely due to commitments such as expansion of the Elsie Cameron Veterinary Clinic (Vet Clinic) and the RSPCA’s inspectorate service (Inspectorate) which had been based on expectations of that funding source remaining into the future.\(^{31}\)

In appearing before the Committee, Mr Ruddick noted:

\emph{Until recent years what we have seen is the RSPCA has operated and cut its cloth to suit what its recurrent funding was. During the periods through 2006-09 it operated within a reasonably structured budget scenario. It would appear to us that in about 2010 there was a benefactor who came in and gave some level of commitment to expand the overall scale of this business, and that included the taking on of a vet clinic and also the expansion of the inspectorate. Therefore, the RSPCA went from a certain size up to a next level of scale based on its understanding that that commitment would be there into the future and brought in a lot of infrastructure, both recurrent and capital infrastructure, to meet that sponsorship obligation. It was unfortunate that that sponsorship did not last too long, it lasted about two years, and in 2012 that sponsorship started to get withdrawn through a whole series of issues between potentially the board and that sponsor.} \(^{32}\)

3.12 The Committee notes the comments by Mr Ruddick and concurs with his view that the withdrawal of the key benefactor’s contributions early in 2012 left the RSPCA with a model that did not “fit” the reduced level of funding received. From the evidence presented to the Committee, it appears that an expanded business model continued for some time after the withdrawal of the key benefactor’s support.

The Committee was not provided with documentation evidencing an agreement between the benefactor and the RSPCA for the continued provision of resources. It appears, therefore, that either the documentation between the parties was not sufficient to ensure compliance with the terms of any agreement reached or that

\(^{30}\) Information sourced from the RSPCA Tasmania Inc General Ledger [Detail] 1/07/2011 to 30/06/2012 (submitted to the Committee on 26 November 2012), pp. 12-13

\(^{31}\) See the transcripts of evidence from Committee appearances by RSPCA board members on 20 June 2013 (and Ruddick transcript)

\(^{32}\) Mr Bob Ruddick, Auditor, Ruddicks Chartered Accountants, \emph{Transcript of Evidence}, Hobart, 14 June 2013, p. 25
the RSPCA placed reliance on a representation of continued support that was not enforceable.

Other sources of revenue

Legacies and Bequests

3.13 Legacies and bequests are a major source of funding to the RSPCA (28% of total revenue in 2012)\textsuperscript{33}. Reliant on the RSPCA brand, the constancy of these funds are paramount for the survival of the organisation.

3.14 Regarding the expectation of and budgeting for amounts of bequest revenue, the Ruddicks Chartered Accountants’ Review Engagement Report, 5 April 2013 (\textit{Ruddick Report}) stated:

\begin{quotation}
The RSPCA budgets for 2012/13 and 2013/14 include expectation that bequest receipts will be in accordance with recent experience over the past three years.

Amounts of \$800,000 for 2012/13 and \$800,000 for 2013/14 are included in these budgets as projected bequest receipts by the RSPCA.

If bequests are less than projected the shortfall will have a direct influence on cash balances available.\textsuperscript{34}
\end{quotation}

3.15 The Committee discussed the issue of the budget’s reliance on bequests with the RSPCA’s Board Members:

\textit{Mrs Taylor} – It concerns me that your budget is so reliant on bequests. I am a member of a number of boards and chair of a couple of boards. I would be horrified if my annual operational budget was dependent on bequests. Being involved in a couple of voluntary boards like yours, when we get bequests we put them into a reserve fund because some years you get a lot and some years you might not, but you can never depend on it. It would seem to me that if next year you received no bequests, which is not going to happen presumably, but if you did then all your reserves would be used up in one year and you would be at risk of trading insolvent?

\textit{Mr Swiatkowski} - Going back one step, the government’s financial review - and I know there is a little bit of confusion as to what it is - we were looking for answers for potentially long-term solutions for the RSPCA. Things like bequests, we recognise that we need to keep some of the bequests for a rainy day but because of the circumstances of the previous year of a major sponsor pulling out we were not able to do that. A real impediment is the low population base within Tasmania in generating income. Personally, I have had a look at all the other RSPCAs and in any

\textsuperscript{33} Extrapolated from table 3.8 (Column 4, Row 4 figure)

\textsuperscript{34} Ruddicks Chartered Accountants, Review Engagement Report, 5 April 2013, p. 2
one particular year, you are quite right, any particular RSPCA can run at a deficit but what they have, which we do not have, are reserves.

Mrs TAYLOR - Absolutely. So you are not addressing that in your current financial plan?

Mr SWIATKOWSKI - We are addressing it in terms of a bequest policy, but from here on in every bequest will have a proportion of it put away for rainy days, as you have suggested.\textsuperscript{35}

3.16 Following the discussion with the RSPCA Board Members about effectively “quarantining” a percentage of bequest monies moving forward, DPIPWE representatives were questioned about this policy as follows:

Mrs TAYLOR - ...It has been a matter of concern to this committee, looking at their (RSPCA) budgets, how hugely dependent they are operationally for bequests each year - $800 000 in bequests in the last couple of years, and $600 000 before that. The amount of bequests they have at the moment of $800 000 is not even sufficient for them to balance their budget. Their reserve is less than one year’s worth of bequests. With your experience, and that is not so with RSPCA in other states, what is the difference here? It is okay to say it because we are smaller in population and whatever, but that is not necessarily right. If you receive bequests and put them into a fund so you have back-up reserves, which is obviously what some of the other states have done, how does that compare with other states’ RSPCA?

Dr KLUMPP - All states struggle with the nature of their funding. You hit the nail on the head when you talked about the way that is managed. There are years where they are flush with bequests and years when they aren’t. But management should have procedures in place where they can take the years they are flush and make sure they have forward-looking budgets to manage that. That is just good business practice.\textsuperscript{36}

Further evidence was heard as follows from Dr Klumpp, General Manager (Biosecurity & Product Integrity) of DPIPWE, on this matter:

Mrs TAYLOR – “They did say to us today that in their future funding planning they are planning to put a proportion of their bequest funding aside each year so it builds up the reserve.

\textsuperscript{35} Mr Paul Swiatkowski, 20 June 2013, Op. Cit., pp. 31-32

\textsuperscript{36} Dr Lloyd Klumpp, General Manager (Biosecurity & Product Integrity) of DPIPWE, Transcript of Evidence, 20 June 2013 PM, p. 11
Dr KLUMPP - It needs a good, decent business management infrastructure in place to do that and that’s what they have to do.”

3.17 Evidence was received from representatives of the RSPCA’s auditors, Ruddicks Chartered Accountants, Mr Bob Ruddick and Ms Lyndal Kimpton, as to the level of bequests received in the 2012-13 financial year:

Mr RUDDICK - These are bequests through wills and nothing to do with the sponsorship. I can show you that. We have also an analysis of what is coming in from bequests and from what is coming in from sponsorship. If you look at the two years prior to that, it was around the $800 000 mark. Prior to that it was a $600 000 amount, and it has gone as low as $200 000. In this current financial year, it has risen to, by the time we fully account for it, it would be somewhere close on $1.3 million.

Ms KIMPTON - To date, and they have another $850 000.

Mr RUDDICK - Yes, just in bequests that will come into the accounts this year. There are other amounts that have been willed to them that at this stage are in the form of property or unsettled estates, and they total in excess of $800 000. So we are expecting that amount to come in over the next 12 months."

3.18 The Committee notes that - due to their very nature – bequests are difficult to anticipate in budgeting. It was pleased to receive evidence from the auditors which suggested that budgeted amounts would be met for the year 2012-13 and that there is also no reason to expect that the 2013-14 budgeted amount for bequests will not be met.

3.19 Further, the Committee supports the development and implementation of a bequest policy by the Board. It is thought that this will facilitate the “preservation” of a portion of future bequests as part of the RSPCA’s reserve funds.

Fundraising & Donations

3.20 Net income from fundraising increased by $100k in 2012 over the previous year39 while the level of donations received has remained constant over the years ended 30 June 2011 and 2012.

3.21 The former CEO prepared a fundraising strategy document in June 2012 with a view to providing support for sustainable fundraising revenue moving forward. Given the significance of fundraising revenue to the budget ($514k gross income

37 Dr Lloyd Klumpp, 20 June 2013, Op. Cit., p. 11
38 Mr Bob Ruddick, Ruddicks Chartered Accountants, Transcript of Evidence, 14 June 2013, p. 26
39 Figures derived from the Financial Statements (as excerpted above)
in 2012)\textsuperscript{40}, the Committee is of the view that fundraising would be a critical part of any future review process so as to enable the maximisation of revenue from this source, where possible.

3.22 The Committee received evidence about the success of the RSPCA “brand” in promotions and how this impacts positively on fundraising. Mr Paul McGinty, RSPCA Chief Inspector, noted:

> There is a lot of support out there. We had our Million Paws Walk recently, which is our annual fund raiser, one-off. I worked on a merchandise stall and we had hundreds of people approach us and they were all just so positive. I left that day just feeling so buoyed because prior to that day it was just the usual negativity from either ex-employees or the press. To hear hundreds of people approach and they did not even know that I was even an employee.\textsuperscript{41}

\textit{Elsie Cameron Veterinary Clinic}

3.23 The Committee heard evidence on the RSPCA’s Vet Clinic and its contribution to the declining financial position of the RSPCA.

3.24 The Vet Clinic opened in March 2010. Its role included:

(i) the offering of low cost veterinary services to those who would otherwise have trouble meeting “market” vet rates; as well as

(ii) responsibility for RSPCA shelter animals regarding their examinations, vaccinations, desexing, microchipping and dentals. Additionally, the RSPCA vet employed at the Vet Clinic was required to examine and appropriately treat animals seized by the RSPCA Inspectors.

3.25 The Clinic expanded in 2010-11, its first full year of operation, to employ five people including two full time vets.

3.26 The Clinic was not profit-making – nor was that its original intention. It was established to provide a low cost option for animal owners. The Vet Clinic was supported by a key benefactor, Ms Cameron. Its resources were expanded in the 2012 financial year.

3.27 The financial statements of the RSPCA show a loss from the Vet Clinic in 2012 of: ($212,597); (2011: Loss $223k; 2010: Loss $155k)\textsuperscript{42}

3.28 While operating at a loss, the Committee notes evidence received that suggested that the Vet Clinic losses shown in the financial statements for the years 2010-

\textsuperscript{40} Financial Statements, Op. Cit.

\textsuperscript{41} Mr Paul McGinty, \textit{Transcript of Evidence}, Hobart, 20 June 2013, p. 39

\textsuperscript{42} Extracted from documentation provided by Ruddicks at the hearing on 14 June 2013 “Analysis of Other States”, pp. 2-5
2012 (inclusive) may have been overstated. The possible overstatement could be attributed to the lack of allocation of full charges to other business units within the RSPCA (for example, the Inspectorate) for veterinary services performed across those other internal units.

3.29 Given its operating loss position, a decision was made to restructure the Vet Clinic. This restructure was undertaken as part of an internal RSPCA review in January 2013 in order to move the organisation towards core service delivery.

Ms Angela Ayling, RSPCA Vice-President, gave evidence on aspects of the restructure concerning the Vet Clinic noting that:

*The vet clinic was losing on average $200 000 per annum, and that was because it was operating a commercial enterprise that was losing money. We decided the commercial business wasn’t going to be our businesses at a loss of $200 000-plus a year and that we needed to refocus what we had back into animal welfare, including the inspectorate and the shelter animals. We restructured the business to meet that need, which was two to three days a week, which meant we had a part-time vet who was already there two to three days a week. We then made the chief vet redundant.*

In further evidence to the Committee, she explained that:

*We restructured that [the clinic] and now we just provide veterinary services to the inspectorate and to the shelters.*

**Financial Statements 2011-12**

3.30 The Committee received evidence that the audited 2011-12 financial statements prepared by Ruddicks were not presented in their original form to Members at the 2012 AGM, but rather, amended and/or incomplete versions of these statements were presented.

3.31 The AGM for 2012 was held over two dates (15 September 2012 and 20 March 2013). On 15 September 2012, an amended version of the financial statements was presented to Members with a further version presented on 20 March 2013. These sets of statements both differed from the original audited financial statements submitted by the Auditor prior to the September 2012 AGM.

3.32 The Committee received evidence that the Statements were changed by the former CEO, Mr Sturges: "[A]pparently to correct mistakes in the earlier version".

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43 Ms Angela Ayling, 6 May 2013, Op Cit., p. 5
44 Ms Angela Ayling, RSPCA Vice President, Transcript of Evidence, Hobart, 20 June 2013, p. 4
45 Communication from (former) RSPCA HonTreasurer, Debbie McGrath on 22 July 2013
Notwithstanding the above explanation, the Committee is unsure why the financial statements tabled were amended from the original audited figures provided by Ruddicks.

The Committee is concerned that correct financial statements were not tabled at the AGM nor distributed to Members. It is apparent to the Committee that the procedural checks and balances were inadequate. This did not add to the Committee’s confidence in the RSPCA’s overall financial management, in particular the management of public funds.

**Solvency of the RSPCA**

The Committee heard evidence from the RSPCA’s auditor, Mr Ruddick, on the question of the solvency of the RSPCA:

4. *During the later part of the 2011/12 year and 2012/13 year the Society wound back the expanded business model to re-size it to the previous scale.*

In completing my audit for the year ended 30 June 2011/12 I was required to satisfy myself that that Society could pay its debt as and when they fell due for the period 12 months after the date of signing of the audit report. Given the depletion of cash reserves in 2011/12 and the fact that a significant amount of 2012/13 income is dependent upon uncertain bequest income I was initially unable to make an assessment as to whether the Society was able to meet debts as and when they fell due. The Board also appreciated the uncertainty of cash flow and a successful application for a $400,000 grant was made by the State Government.

Acknowledgement of approval of this grant allowed me to more readily conclude on the solvency of the society. I emphasise that at no time was the Society in a position of not being able to pay debt as and when they fell due. Furthermore, the 2012/13 year has resulted in a higher than usual level of bequests.\(^{37}\)

**Board initiated restructure of the RSPCA**

Given the harsh financial climate generally and, specifically following from the withdrawal of sponsorship to the RSPCA by a key benefactor (see para 3.9-3.10), the Board was faced with making tough decisions around the sustainability of the RSPCA’s operations into the future.

Ms Ball, the RSPCA’s Business Operations Manager, told the Committee that:

\(^{37}\) Letter from Ruddicks to the Committee dated 18 June 2013, p. 2
In January of this year we did a major restructure of the organisation which was pretty much in tatters at that point. We went back to core functions and decided to do those with excellence rather than to put our hands out into broader areas that we could not do quite so well. We identified the core functions as animal welfare, including sheltering; lobbying for change; inspectorate; and education. We reviewed every position and if it did not directly fall into a core function or directly support a core function, that position was deemed surplus. At that time we had a few resignations; we did not replace those people. We made two redundancies and so we were left with seven fewer positions.48

Income Streams

3.37 The Committee has received evidence that the RSPCA has undertaken a review (early 2013) to prune costs and to revert to its core business areas. However, the Committee received no evidence that the Board has critically examined ways to generate new and innovative income streams nor consolidate or maximise the current income streams.

3.38 The Committee is of the view that, along with the introduction of prudent cost control measures and the associated close monitoring of performance, income streams (current and future) need to be maximised to assist the RSPCA in becoming financially independent. To that end, the Committee encourages the thorough examination of income maximisation options. It is noted that costs can only be rationalised so far given that a certain level of fixed costs must be maintained for the RSPCA to adequately provide for its core services.

Expenditure

3.39 As noted above at 3.37; the Committee heard evidence that the RSPCA had taken steps to rationalise expenses and return to core business.

3.40 The Committee notes that the expenditure by the RSPCA on consultants during the 18 months to 31 Dec 2012 totalled $71,15049.

3.41 Of particular note, James O’Neill HR Consultants were paid $36,632 in relation to:

a) the external investigation into the former CEO Mr Ben Sturges ($21k) in November 2012; as well as

48 Ms Alison Ball, RSPCA’s Business Operations Manager, Transcript of Evidence, Hobart, 6 May 2013, p. 1
49 RSPCA’s response dated 14 July 2013, to questions on notice from the hearing on 20 June “PAC On Notice”, received 22 July 2013 (RSPCA response), p. 1
b) payment for HR services ($15k) performed over the following 3 months (October to December 2012).\(^{50}\)

3.42 A breakdown of solicitors fees paid to Mr Leonard Fernandez showed that some $148,000 was paid to him by the RSPCA for legal advice received during the period 28 June 2012 to 3 June 2013.\(^{51}\)

3.43 With respect to legal and consultancy costs, the RSPCA advised the Committee:

*RSPCA consents to the public dissemination of the legal and consultancy costs quantum on the basis that the explanations also form part of the answer. It otherwise wishes those amounts to be private, because it is anticipated that without such explanation the amounts expended will be used to unfairly criticise RSPCA Tasmania (as occurred in the past) and cause it further brand damage, which is not in the interests of animal welfare, and the discharge of the Government’s responsibilities (as assisted by RSPCA Tasmania) under the Animal Welfare Act.\(^{52}\)*

3.44 Notwithstanding the above comments, the Committee notes that the RSPCA Board has engaged solicitors to challenge:

- individuals and employees;
- the national body of the RSPCA;
- the Government;
- Committee members and indeed the Committee itself (including challenging the manner in which the Committee has functioned and its questioning of the RSPCA).

In doing so, the Board has spent a significant part of its budget on legal expenses, rather than on its core business of animal welfare. The Committee is concerned at the level of legal advice sought, incurring costs of $148,000, at a time when the RSPCA was in financial difficulty.

3.45 The Committee received no evidence that the broader membership base of the RSPCA was either cognisant of or agreed with the actions of the Board in the spending on legal fees to the extent incurred. The Committee is further of the view that the total expenditure on legal fees and consultants should be disclosed via either: a separate line item or by note disclosure in the financial statements of the entity. Such disclosure would be in the interests of transparency around expenditure to the membership at large.

\(^{50}\) *Ibid*

\(^{51}\) *Ibid*

\(^{52}\) RSPCA’s response 22 July 2013 to questions on notice from the hearing on 20 June 2013 - Letter from Ms Angela Ayling "22 July 2013 PAC On Notice", p. 4
3.46 It is the view of the Committee that the Board’s appetite for legal advice is indicative of how other matters have been handled by the Board. It is symptomatic of a controlling authority that operates in an environment of distrust towards external parties. Furthermore, it is the Committee’s view that this situation has been pernicious to the RSPCA and what it stands for.

**DPIPWE Funding of the RSPCA**

3.47 DPIPWE provided the following funding to the RSPCA during the period 2011 to 2013:\(^{53}\):

<table>
<thead>
<tr>
<th>Row #</th>
<th>Details – per DPIPWE</th>
<th>Inspectorate</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>2010-11</strong> Service Agreement</td>
<td>$400,000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Payment to assist with Animal Shelters(^{54})</td>
<td></td>
<td>$190,000</td>
</tr>
<tr>
<td>3</td>
<td><strong>2011-12</strong> Base Service Agreement Funding – Quarterly Payment ($100k per Qr)</td>
<td>$400,000</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Additional Payment to support funding of the Inspectorate (1 May 2012)</td>
<td>$180,000(^{55})</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td><strong>2012-13</strong> Financial Assistance provided while actions being taken to get the organisation back on a sustainable footing(^{56}) (paid on 1 Sep; Oct; Nov; and Dec 2012)</td>
<td></td>
<td>$400,000</td>
</tr>
<tr>
<td>6</td>
<td><strong>Service Agreement</strong> - $33,333 per month (= $400kpa over 12 months)</td>
<td>$400,000(^{57})</td>
<td></td>
</tr>
</tbody>
</table>

6 **TOTAL** | **$1,380,000** | **$590,000** |

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\(^{53}\) Minister Green’s Response to Questions on Notice, 1 May 2013, p. 3

\(^{54}\) *Ibid.*, p. 5

\(^{55}\) Financial Statements disclose Inspectorate funding 2011-12 to be $480,000 not $580,000.

\(^{56}\) Minister Green, *Op. Cit.*, p. 3

\(^{57}\) The May and June monthly payments of $33,333 were yet to be paid as at 1 May 2013. Total annual payment for Inspectorate 2012-13 is $400k per agreement.
Evidence received by the Committee suggested that the RSPCA has employed up to eight Animal Welfare Officers\textsuperscript{58} and a full time Prosecutor (based in Launceston) to enforce the provisions of the Act on behalf of the Minister for Primary Industries. The Service Agreement between the Crown and the RSPCA (Service Agreement) outlines the nature and scope of the animal welfare services to be provided. More detail about this Service Agreement is given in Chapter 4.

The contract fee paid by the Crown to the RSPCA is $400,000 per annum. This is paid on a monthly basis.\textsuperscript{59}

Payments to the RSPCA over and above the base Service Agreement, totalled $770,000\textsuperscript{60} during the three year period (1 July 2010 – 30 June 2013). The Committee notes that $180,000\textsuperscript{61} of this was additional funding supporting the Inspectorate, while $590,000\textsuperscript{62} was paid to support RSPCA operations generally.

The additional payment to support the Inspectorate, of $180,000\textsuperscript{63}, in 2011-12, was made by the Government:

...as a means of providing some level of surety in the short term while the Department works with the RSPCA to resolve this issue. \textsuperscript{64}

Regarding the use of the additional funds by RSPCA, the Committee notes a Briefing Note prepared for the Minister by DPIPWE which included the following statement:

\textit{It is highly likely that, given the current situation, the government’s additional assistance contribution of $180,000 will be used to meet a month’s payroll expenses and clear some older debts.}\textsuperscript{65}

\textbf{Additional Funding $400,000 in 2012-13}

The Committee heard evidence regarding an additional $400,000 funding which was provided to the RSPCA in 2012-13:

\textbf{Mr GUTWEIN} – Can I come back to the $400,000, referring to the Ruddick note that was sent around. I note that it is forecast this year, with quite a turnaround I think, that they are going to have a small cash surplus for the

\textsuperscript{58} DPIPWE Draft Financial Review 2012, p. 13
\textsuperscript{59} Minister Green, Op. Cit., p. 3
\textsuperscript{60} Extrapolated from table 3.47 (Column 3, Row 4 figure ($180,000)+ Column 4 Total Figure ($590,000)= $770,000)
\textsuperscript{61} \textit{Ibid.}, (Column 3, Row 4 figure($180,000))
\textsuperscript{62} \textit{Ibid.}, (Column 4, Total figure ($590,000))
\textsuperscript{63} \textit{Ibid.}, (Column 3, Row 4 figure ($180,000))
\textsuperscript{64} Premier - Letter to Minister 14 March 2012, per Briefing note DPIPWE in response to Questions on notice from Hearing 17 April 2013, p. 11
\textsuperscript{65} Briefing note DPIPWE 7 May 2012, in response to Questions on notice from Hearing 17 April 2013, p. 21
2012-13 financial year when initially the estimate was for about a $1.2 million loss, so obviously things have turned around. How are you accounting for the $400 000? I note that obviously Mr Ruddick doesn’t make any mention of the fact that it was a special $400 000 grant made in July last year. Obviously, if that was removed then the organisation would be running at a loss of close to $350 000.

Dr KLUMPP - That $400 000 essentially saved the organisation. Our assessment, and this was borne out by the subsequent assessment, was that the organisation wouldn’t have been able to survive beyond around July or August 2012 without some sort of assistance. The reason they are in the position now, I think, is good fortune. They have managed to put in place a number of savings strategies and they have sold some assets, but they have also received one or two large bequests which essentially bailed them out. The idea of the $400 000 was essentially to keep the organisation going for all the benefits that the organisation provides and in particular the welfare of the animals they had in their care at that time. I think that without that $400 000 that organisation would have folded."66

Adequacy of Funding for the Inspectorate

3.54 The Committee received evidence from the RSPCA that the Inspectorate was not adequately funded and that the RSPCA incurred costs in administering the Government’s legislation on its behalf:

The public funding is limited, and it has been to the inspectorate service about $400 000 a year. That is about $280 000 short of what it actually costs us to run the inspectorate.67

3.55 In response to questioning regarding the funding for and fulfilling of the Service Agreement, the representatives of DPIPWE made the following comments:

In terms of the inspectorate, we feel like we have had pretty good value for money out of that and it has worked quite effectively. We do need to work with them about what is the right funding level and there are questions about whether $400 000 really is adequate in terms of the services that we are expecting.68

3.56 The Committee heard further evidence from DPIPWE around the funding for the Service Agreement as follows:

Mr BOOTH - But in regard to, say, the adequacy of the funding, your department would be amenable effectively to have a discussion about what level that has to be?

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66Dr Lloyd Klumpp, General Manager (Biosecurity & Product Integrity) of DPIPWE, Transcript of Evidence, Hobart, 17 April 2013, p.4
68Mr Kim Evans, Secretary, Department of Primary Industries, Parks, Water and Environment, Transcript of Evidence, Hobart, 20 June 2013, p. 7
Mr EVANS - We are already having those discussions.

CHAIR - On the inspectorate, evidence has been given to this committee that to run the inspectorate it is costing them $640 000 - I think that was the figure.

Dr KLUMPP - That is about our assessment was as well.

CHAIR - That is the service that the government buys from them, or pays for the inspectorate, then is it reasonable to think that that is what the department should pay them?

Mr EVANS - I was leaning that way in terms of my comment, that we need to review the level of funding. We either have to scale back our expectations or find some additional funding.\(^69\)

3.57 The RSPCA provided the Committee with 2013-14 budget figures and table\(^70\) for the Inspectorate (see below):

<table>
<thead>
<tr>
<th>RSPCA Inspectorate Budget figures 2013/14</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>$6,000</td>
</tr>
<tr>
<td>Animal boarding</td>
<td>$22,100</td>
</tr>
<tr>
<td>Veterinary Costs</td>
<td>$17,813</td>
</tr>
<tr>
<td>Inspectorate Animal Expenses – Farriers, etc</td>
<td>$5,878</td>
</tr>
<tr>
<td>Wages &amp; Salaries</td>
<td>$500,800</td>
</tr>
<tr>
<td>Superannuation</td>
<td>$46,324</td>
</tr>
<tr>
<td>Staff Uniforms</td>
<td>$1,000</td>
</tr>
<tr>
<td>Meeting Expenses</td>
<td>$150</td>
</tr>
<tr>
<td>OHS Measures</td>
<td>$500</td>
</tr>
<tr>
<td>Telephone &amp; Internet Charges</td>
<td>$25,000</td>
</tr>
<tr>
<td>Call centre service fee</td>
<td>$2,520</td>
</tr>
<tr>
<td>Shelter buddy</td>
<td>$1,000</td>
</tr>
<tr>
<td>Insurance (w/comp)</td>
<td>$5,000</td>
</tr>
<tr>
<td>Printing, Stationery &amp; Postage</td>
<td>$3,000</td>
</tr>
<tr>
<td>Computer Expenses</td>
<td>$4,900</td>
</tr>
<tr>
<td>Gifts and presentations</td>
<td>$200</td>
</tr>
<tr>
<td>Travel &amp; Accommodation</td>
<td>$3,500</td>
</tr>
<tr>
<td>Motor Vehicle Expenses</td>
<td>$7,500</td>
</tr>
<tr>
<td>Replacement of 6 vehicles @$240k over 24 months</td>
<td>$120,000</td>
</tr>
<tr>
<td>Fuel</td>
<td>$30,000</td>
</tr>
<tr>
<td>Registration &amp; Licenses</td>
<td>$2,700</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>$1,000</td>
</tr>
<tr>
<td>Minor Equipment &lt;$200</td>
<td>$1,000</td>
</tr>
<tr>
<td>Power Charges</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$808,885</strong></td>
</tr>
</tbody>
</table>


\(^{70}\) RSPCA's response 22 July 2013 to questions on notice from the hearing on 20 June 2013 - Letter from Ms Angela Ayling "22 July 2013 PAC On Notice", p. 2
3.58 The Committee notes that the above budget includes a capital component for motor vehicle replacement of $120,000 and that budgeted annual operating expenditure would represent an outlay of $688,885.\(^{71}\)

3.59 The Committee concurs with DPIPWE that the level of funding to the RSPCA to run the Inspectorate service appears inadequate - given DPIPWE's current service level expectations. As it currently stands, the RSPCA appears to be bearing the cost of administering government legislation and is not sufficiently remunerated to cover its costs in so doing.

3.60 The Committee is of the view that it would be appropriate for DPIPWE to consider whether an external independent review of annual Inspectorate costs is warranted. Coupled with an internal DPIPWE review of service level requirements, this would enable DPIPWE to ascertain the appropriate level of funding required for a given level of Inspectorate service.

**DPIPWE Financial Review of the RSPCA 2012**

3.61 In response to increasing financial difficulty faced by the RSPCA, DPIPWE instigated an internal financial review in July 2012. Mr Evans noted:

> We became aware in March last year, through the then CEO of RSPCA Tasmania, about concerns with its financial position. That prompted us to do an internal evaluation of the financial operation and management practices of the RSPCA. It was an internal investigation within the department, running between March and May, by which time we had confirmed there was potentially an operating deficit in the order of $1 million for the financial year 2012-13 and the current financial year. As a result, several recommendations were made to the RSPCA on how they improve their financial management practices. In July last year the current minister, Minister Green, directed us to lead a financial review of the RSPCA to identify actions to improve its long-term sustainability off the back of its own identification of financial risks and our confirmation of those.\(^{72}\)

3.62 The Terms of Reference for the DPIPWE review were as follows:

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\(^{71}\) RSPCA's response 22 July 2013 to questions on notice from the hearing on 20 June 2013 - Letter from Ms Angela Ayling "22 July 2013 PAC On Notice", p. 2.

\(^{72}\) Mr Kim Evans, Secretary, Department of Primary Industries, Parks, Water and Environment, Transcript of Evidence, Hobart, 17 April 2013, p. 1
• clearly establish the current organisational financial position of the RSPCA and any other issues impacting on the organisation’s future viability;

• identify the key reasons for the RSPCA’s present financial position; and

• make recommendations of actions to improve the RSPCA’s long-term financial sustainability including: improvements in corporate governance, financial administration and the capacity to increase revenue from services and philanthropy.\textsuperscript{73}

In commenting on the basis for the review, Mr Evans stated:

Historically, our key interest has been in the agreement we have with the RSPCA in running its inspectorate, but if the RSPCA as an organisation fell over then obviously it is not going to be able to undertake that service for us. But there is a broader issue in that they have a whole heap of animals in care and run a whole heap of other services that it is not in the broader public interest to have fall over either. When confronted that a situation where there was a real risk that they would be forced into administration, the government then decided that we need to assist them short term whilst they get their house in order and the minister was keen for us to be involved in assisting them to do that through this review into the finances and governance.\textsuperscript{74}

3.63 The DPIPW review was duly progressed, but was suspended following the former CEO’s departure from the RSPCA in September 2012. Given the initiation of the Committee Inquiry, the DPIPW review and the formalisation of a new service agreement was put on hold until the outcome of this Inquiry. From the expiry of the current Service Agreement on 30 June 2013, interim funding for the Inspectorate is being issued on a month by month basis.

3.64 The Committee notes the support of DPIPW for the RSPCA as a strong brand and for the role it plays in animal welfare in Tasmania.

\textbf{Mrs TAYLOR} - Could you do it (Inspectorate service) in-house for the same sort of money?

\textbf{Dr KLUMPP} - Probably not.

\textbf{Mr EVANS} - Not as effectively either. The one thing about the RSPCA is that it is well recognised by the community. It has a great brand, notwithstanding its financial troubles.

\textbf{CHAIR} - It has.

\textsuperscript{73} DPIPW Financial Review, Draft Report, p.1
\textsuperscript{74} Mr Kim Evans, 17 April 2013, \textit{Op. Cit.}, p. 10
Dr KLUMPP - The other advantage they have is that they run shelters and that links very nicely with the inspectorate.\(^{75}\)

3.65 The DPIPWE view on possible restructuring of the RSPCA was sought by the Committee:

CHAIR - “A question I think that was asked the last time you were here and it is a question I will ask you again, if there are not significant changes in their structure, and we have already seen a change in the board for three new personnel and with special skill sets as well, could you be confident as a department to provide the money that you are in the inspectorate services and get what you are paying for into the long-term future without hitting these problems again?

Mrs TAYLOR - And more money?

Dr KLUMPP - That is the fundamental question for us. That is exactly what we need answered because we need that confidence.

CHAIR - I will not answer for you, but your answer would probably be no, you could not be confident if it does not make those significant changes?

Dr KLUMPP - That is right. The status quo is not an option.

Mr BOOTH - Having said that, you have given evidence that you are happy with the job they do as an inspectorate.

Mr EVANS - At the end of the day it is public funds that are being spent so you have to have some confidence that they are managed well.

Mr BOOTH - Yes, but you have got confidence in the money that you pay. It is not a question about how the overall organisation is travelling?

Dr KLUMPP - It is about whether or not that organisation is going to be there and provide that service.

Mr BOOTH - That was what I was going to get to. Your concern is not so much that the money your paying at the moment is wasted or misspent, it is whether you might suddenly be caught holding the baby if the organisation did not exist.\(^{76}\)

3.66 The view of DPIPWE representatives regarding possible options for the RSPCA’s structure and funding moving forward are detailed in Chapter 4 of this report.

Ruddick Review

3.67 As the independent auditor, whose firm has had some years (seven) involvement with the RSPCA, Mr Bob Ruddick provided both explanation and advice to the

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\(^{75}\) Dr Lloyd Klumpp, 20 June 2013, Op. Cit., p. 8

\(^{76}\) Ibid., p. 13
Committee regarding RSPCA's financial position and possible ways forward for the organisation. In explaining his involvement with the RSPCA, he advised the Committee:

I will give a bit of background to our firm and why we were appointed. We have been auditors of the RSPCA since 2005-06. We are also auditors for quite a few of the significant not-for-profit organisations within the state including St Vincent's and St Giles. I personally have been on the university board so I have a fairly high level of governance in relation to not-for-profit organisations. On that board I was chair of the audit and risk management committee. I was also appointed to the AMC board - the Australian Maritime College board - for my financial background under the Maritime Act.\textsuperscript{77}

3.68 The Ruddick Report referred to the question of RSPCA's solvency and further, it stated that after gaining confidence regarding future government funding for the 2012-13 financial year, the Auditor was only then in a position to sign off on the audited financial statements for the year ended 30 June 2012. Mr Ruddick stated:

In 2012, as auditors, we refused to sign the audit report until such time as during the 2013 year we could establish ourselves that there was going to be sufficient funding to continue this organisation for at least the following 12 months.\textsuperscript{78}

3.69 The Committee notes (paras 7.3 – 7.7) that the RSPCA's auditor has given support for the RSPCA's budget position 2013-14.

3.70 When appearing before the Committee, Mr Ruddick spoke about the RSPCA's lack of reserves compared with other Australian RSPCA organisations and how this affected the organisation:

The RSPCA is an organisation in Tasmania that we audited for some time. That organisation does not have the same level of reserves as other organisations and not-for-profit organisations we deal with, nor does it have the same level of reserves that other RSPCA state organisations have. We have had a fair bit of charting on that and we can pass over as evidenced the level of reserves that some of these organisations have. Generally, to run an organisation such as this you do require to have reasonable reserves, especially when that organisation is reliant on bequests and other non-committed funding.

During our time, the RSPCA is quite reliant on bequests as part of its overall funding and those bequests are incorporated within their recurrent

\textsuperscript{77} Mr Ruddick, 14 June 2013, Op. Cit., p. 24
\textsuperscript{78} Ibid., p. 25
expenditure. They are dependent on a certain amount of money coming in each year from uncontracted sources, and that money is applied for the recurrent day-to-day commitments of keeping the organisation going rather than going into reserves or capital items.

It is a bit unfortunate that the RSPCA, with its current structure within Tasmania, does not have the same level of depth of wealth that other not-for-profit organisations may have. They have operated under that situation for several years. That also makes the task we have had to a bit more difficult in that we must make sure that anything we say is taken into context, that this organisation does not have a large pool of funding that would back up any significant deviations from the information we are examining.79

3.71 Following further questioning from Committee Members, Mr Ruddick spoke to the amount that would be a “reasonable” reserve for the RSPCA:

Mr RUDDICK - When we look at our other not-for-profit organisations that might have $6 million or $7 million worth of reserves, if we look at the RSPCAs around Australia, Western Australia has $6 million worth of reserves, New South Wales has $40 million worth of cash reserves, South Australia has about $8 million worth of cash reserves. So you have organisations that you can afford to take a degree of risk because you know that if there are significant fluctuations in any year that you have the reserves to do that. Unfortunately Tasmania has been unable to create those reserves to date.

Mr BOOTH - In terms of good governance and good probity arrangements would you have a suggestion in terms of what size of a reserve that ought to be quarantined, effectively, and provide for a period of downturn to make this organisation safe, effectively, for really well credentialed people to sit on the board?

Mr RUDDICK - I would have thought you would need a reserve of about $2 million for the size of this organisation, which would allow you two, three, maybe four years of very diminished bequests coming through. The rest of the organisation is - while it still relies on a certain amount of donations and a certain amount of fundraising, it is fairly formulated in that respect and the level of service that they have can be easily, or the total expenditure can be easily determined because that is the level of service they will give to the community. Whether that is the right level or the wrong level, that is the level they can afford.

They can work within that framework that at the moment still requires them to have some level of additional support coming in, but it would be fantastic if above that support they had reserves so that if that support was fluctuating they could draw down on those reserves. I would have thought $2 million was about the right figure.80

80 Ibid., pp. 28-29
CHAPTER FOUR - DPIPWE SUPPORT FOR RSPCA

The provision of financial support

4.1 DPIPWE funding to the RSPCA has historically been across two areas. Information in relation to funding over the last three years was outlined earlier in this report (at paragraph 3.47). The two areas of funding can be broken down into:

i) Funding for the Inspectorate – in effect, a fee for service provided by RSPCA.
   - This has been funded at an amount of $400,000 per annum as per a funding agreement between DPIPWE and the RSPCA, along with an additional $180,000 in 2011-12 for the Inspectorate.

ii) General funding – provided to assist the RSPCA while the organisation undertakes actions to enable it to be on a sustainable footing.
   - This funding totalled $400,000 in the 2012-13 financial year. (NOTE: this is additional to the $400,000 distributed for Inspectorate services).
   - Funding distributed other than for the Inspectorate also includes $190,000 previously provided in 2010-11 for animal shelters.

4.2 Further information around dates and amounts received is given in para 3.47 of this report.

4.3 Mr Evans described the relationship (including funding) between the RSPCA and DPIPWE as follows:

To recap very briefly, we have had a long-standing relationship with the RSPCA since 1997 whereby they have provided the animal welfare inspectorate service under the Animal Welfare Act on behalf of the government and the department. The current agreement provides for funding of approximately $400 000 per annum. The relationship exists narrowly within the context of providing the inspectorate service. That has worked fairly well for us over the years. It makes good sense because the RSPCA has broader animal welfare services, including looking after sick animals and shelters and the like, which link nicely to the provision of an inspectorate service. They have a good brand in the community and hence a good relationship.81

81 Mr Kim Evans, 17 April 2013, Op. Cit., p. 1
4.4 DPIPWE representatives spoke to the additional funding given to the RSPCA in 2012-13. They made observations as to the value obtained by the funding for Inspectorate services along with how that value was determined:

Mr EVANS - I was going to go on and clarify the funding a little bit further. The normal arrangement between my department and the RSPCA is to contract them to undertake the inspectorate services. But in about July of last year, when the organisation was in very significant financial trouble and at risk of going into administration, the government decided to make a payment of $400,000 to enable them to operate through the period in which we undertook the review and worked with them to fix up the finance and the governance. That was a special arrangement, a one-off. It was not, in terms of a fee for service arrangement -

Mr GUTWEIN - A grant.

Mr EVANS - I guess it was, in effect, a grant.

Mrs TAYLOR - Additional to your normal -

Mr EVANS - Yes.

Mr GUTWEIN - There was $400,000 paid to them in July of last year, which basically bailed them out. The ongoing monthly inspectorate payment was taken from quarterly in advance to being made monthly. Were you satisfied that the inspectorate was operating as you would want it to through that period?

Dr KLUMPP - Yes. There has been no change in the function of the inspectorate; we have been quite happy with that and the statistics bear that out. The actual function of the inspectorate has been pretty good.

Mr BOOTH - How did you assess that? Did you have some KPIs or some audit?

Dr KLUMPP - Yes. We have quarterly reports from the inspectorate which outline the number of complaints that they receive, the number of complaints they investigate and the outcomes of those complaints, both in terms of resolution and prosecutions.

Mr BOOTH - Was there an audit on the value for money in that sense? Do you have a view that the $400,000 per annum that you were paying for these services was all spent on delivering those services or the RSPCA owed money?

Dr KLUMPP - No. One of the assessments we made in our very first review, which was just our informal review of the finances, was that it was difficult, given the nature of their paperwork, for us to determine exactly where the cash flows were. However, having worked through that, I am very
confident that the $400 000 that they get is well spent in terms of the inspectorate and it does -

Mr BOOTH - For the purposes that the grant was received or the funding was received.

Dr KLUMPP - Sorry, the service agreement money, not the grant.

Mr BOOTH - Yes.

Dr KLUMPP - I think the service agreement money is spent appropriately and we get good value for that money.82

Conditions for Supply of Funds

4.5 As noted above, in relation to the Inspectorate operations, DPIPWE requires regular reporting and feedback as part of the conditions for supply of Inspectorate funding. This includes quarterly reporting as part of the Service Agreement plus a consolidated annual report. The reports are prepared based on a number of criteria including regional and whole state basis in relation to:

- the number and type of complaint;
- action taken in response to each complaint;
- animal species involved in the complaint;
- summary of legal proceedings initiated and current legal status of each case;
- inspections numbers;
- kilometres travelled by Animal Welfare officers;
- number of infringement notices issued under the Act; and
- information in relation to animals seized and other additional information.

4.6 While the RSPCA has conditions for supply of Inspectorate funds, there were no conditions attached to the $400,000 additional funding distributed by DPIPWE to the RSPCA in 2012-13, in order to identify actions to improve long term sustainability of the RSPCA. Mr Evans told the Committee:

I was going to go on and clarify the funding a little bit further. The normal arrangement between my department and the RSPCA is to contract them to undertake the inspectorate services. But in about July (2012) of last year, when the organisation was in very significant financial trouble and at risk of going into administration, the government decided to make a payment of $400 000 to enable them to operate through the period in which we undertook the review and worked with them to fix up the finance

82 Dr Klumpp, 17 April 2013, Op. Cit., pp. 3 - 4
4.7 The Committee heard further evidence about conditions around the distribution of the additional payment of $400,000 in 2012-13:

Mr Booth - So did you have some conditions tied to the grant, then when the thing looked like it was falling apart and you had to give this $400 000, was that tied to some sort of methodology or conditions or something?

Mr Evans - The contract wasn't a tied contract in that respect, but at the point where we suspended further work on the review^{84}, a final payment was due, and we sought their assurances about the spending of those funds before we handed over that last tranche of funding^{85}.

Options for Inspectorate operations

4.8 DPIPWE outlined to the Committee the other options for the running of the Inspectorate service in the event that the RSPCA was not able to continue. The options considered by DPIPWE included possible funding of: local government; RSPCA Australia; or DPIPWE taking the service wholly in-house.

Whilst oversight of RSPCA operational issues are outside the Inspectorate-based Services Agreement between the RSPCA and the DPIPWE, the Committee notes its expectation that the provision of further RSPCA funding is contingent upon high animal welfare standards being upheld across the organisation. The Committee received evidence of instances where animal welfare standards were not maintained to the levels expected by the public.

This is particularly important given the level of public trust placed in the RSPCA to uphold the highest animal welfare standards.

4.9 The current funding model, whereby the Inspectorate is administered by the RSPCA but with high level oversight by DPIPWE, is the preferred DPIPWE model due to:

1) the success of the Inspectorate (where it is currently “housed” within the RSPCA) in carrying out the role it currently performs;

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^{83} Mr Kim Evans, 17 April 2013, Op. Cit., p. 3
^{84} As previously noted (para 3.63) the DPIPWE review was suspended in late September 2012 and has not been reinstated due to the PAC Inquiry.
^{85} Mr Kim Evans, 17 April 2013, Op. Cit., pp. 10 -11
2) the fact that by housing the Inspectorate within the RSPCA, there is leverage off the RSPCA assets such as shelters – which would be a huge cost for the government (or any other provider) to replicate; and

3) the fact that the RSPCA brand name and recognition could not be replicated and would be lost to the Inspectorate if that unit was “housed” and administered elsewhere.

4.10 Following from a question regarding the possible efficiencies by inspectors being directly employed by DPIPWE in the future, Dr Klumpp responded:

That's one of the options we considered and are still considering, in case the RSPCA can't recover. There is a whole range of other leverages that happened because of the RSPCA. They have shelters in place, so part of the process of looking after animals who are in emergency need is to seize those animals and take them away and look after them. The RSPCA does that through their shelter arrangements. They have all the necessary infrastructure and people and capability to do that. If we were to take on an inspectorate we would have to find that infrastructure and capability, etcetera, and of course pay for it. So there is a leverage aspect to that. There is also the value of the RSPCA brand. Tarnished as it may be in Tasmania, the RSPCA is a highly respected, essentially world-wide organisation. There is the World Society for Prevention of Cruelty to Animals, and there is the Australian organisation. Although they are separate individual units, they all sit under that same very valued brand, and that is a really important value to us in terms of the inspectorate, so there is a whole range of leverages. 86

4.11 The Committee heard evidence about local government's ability to provide the Inspectorate service:

Mrs TAYLOR – There is not anybody else

Mr BEST - Not really, unless it was done through like Mrs Taylor mentioned about local government. They do have animal officers.

Mrs TAYLOR - That is why local government generally also uses the RSPCA because it is much more cost effective to use an organisation set up to do it.

Dr KLUMPP - If RSPCA Tasmania fell over, then it appears at the moment, given the work we have done, that the best return on investment to

86 Dr Klump, 17 April 2013, Op. Cit., p. 17
government is for DPIPWE to run that inspectorate. We would have to then form agreements with local government or some other -

Mr BEST - Because they have animal control officers on local government, don't they?

Mr EVANS - And facilities.

Dr KLUMPP - And facilities. Facilities are important so we have to go to the dogs’ home or local government or somebody in order to provide the infrastructure necessary to look after those animals.\textsuperscript{87}

4.12 The Committee also heard evidence relating to costings for the Inspectorate function being placed within RSPCA Australia. In particular, Dr Klump commented:

\textit{The RSPCA Australia option is in the order of $850 000. That is what they have costed to provide the service.}\textsuperscript{88}

4.13 The cost effectiveness of the current funding model was then outlined:

\textit{In terms of the three options that we have explored, I should not say the cheapest but the best investment for government is RSPCA Tasmania, assuming it is a viable organisation and we are confident in its viability, and that it delivers the service that it has been delivering. Assuming all of those things, the investment is around about the $500 000 mark.}\textsuperscript{89}

4.14 To achieve the maintenance of the Inspectorate within the RSPCA, DPIPWE officials recognised the need highlighted by the RSPCA to review the funding level for Inspectorate services (see para 3.56).

4.15 Given that the amount of funding that is able to be distributed by the DPIPWE is insufficient to cover the RSPCA’s costs of administering the Inspectorate to the level required, the Committee supports DPIPWE undertaking:

\begin{itemize}
  \item[a)] a review of service level requirement in future agreements; and
  \item[b)] a review of any additional funding requirement whilst maintaining the service level of current agreements.
\end{itemize}

\textsuperscript{87} Dr Klumpp, 17 April 2013, \textit{Op. Cit.}, p. 23

\textsuperscript{88} \textit{Ibid.}, p. 23

\textsuperscript{89} \textit{Ibid.}, p. 22
The provision of non-financial support

4.16 The Committee considered the matter of future non-financial support for the RSPCA.

4.17 DPIPWE estimates\(^{90}\) that the current in-kind support given to the Inspectorate for items such as office space, telephones and computing would approximate $9,700 per annum.\(^{91}\)

4.18 In considering other types of in-kind support from the government that could be of future assistance to the RSPCA, the RSPCA gave some options as to how the newly constituted Board (with three new board members) might be able to be supported:

**CHAIR** - How can we be confident the new board, the three new members, will have the capacity and ability to move the RSPCA forward long term? Do you think you have it moving in the right areas? That you have the right people there? The right expertise, the right skill sets? There have been other boards in place that have only last three or four months, and some of them not even that long. How can we be confident?

**Ms AYLING** - We are confident in the three new people and their skills and what they can bring. I believe it is a matter of the new constitution and for new positions also to come on the board with more skills along those areas. We are working on our strategic plan and our business plan and our budget, so we need to fill the board with some more experience. It would be very helpful for us to have the government assist us, too, in that process and maybe provide some mentoring, even if it was a mentoring package.

**CHAIR** - That was the next point I was going to get to.

**Ms AYLING** - That would be wonderful if we could have that sort of support to make sure that the structure is strong.

**Mr SWIATKOWSKI** - The idea of in-kind help.

**CHAIR** - I think that is really - with the greatest respect to Bob Ruddick - where Bob Ruddick was coming from in some of the comments he made that he was wanting support given to help you, mentoring, and I think he was saying for at least a period of time to get you in the right area.

**Mr SWIATKOWSKI** - The RSPCA is not seeking just financial support. Part of the support that we need to have is in-kind support. If people can help with our organisational skills, running skills, and what is essential to the

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\(^{90}\) Minister Green’s Response dated 1 May 2013 to Questions on Notice from Hearing 17 April 2013, pp. 34-35

\(^{91}\) Ibid.
organisation, for example, a vet. A vet has certainly been helpful in terms of providing advice on different matters, but somebody with financial skills or maybe someone with legal skills.92

4.19 Following its hearing with the RSPCA representatives on 20 June 2013, the Committee was interested in the Board’s position on government responsibilities around the RSPCA. In response93, the RSPCA stated:

RSPCA Tasmania seeks the State Government’s support in the following areas:


b. Full recovery for Inspectorate Service and contract to be on a 3 yearly basis to provide a degree of security to staff and the RSPCA for financial and operational planning purposes. This would also need to include CPI increases. As per 2013/14 Budget.94

c. Provision of an independent and highly qualified business mentor to the Board for a 2 year period to assist with business and governance matters, including the RSPCA Constitution;

d. State Government funding for 3 years to cover operational costs (excluding Inspectorate) and support the development of business opportunities to allow the RSPCA to recover and invest bequests monies to provide some long term financial security;

The Board was advised from early 2012 by the then CEO that State Government would be funding either 1.8 or 1.2 million dollars recurrent for three years (in addition to the Inspectorate Service funding). This additional funding was to allow the RSPCA to restructure and increase income streams from investing bequest and other fundraising sources. The expectation of the Board was based on discussions that the then CEO had at ministerial levels95. This assistance is imperative for the RSPCA to be able to turn around its financial status and be able to build long term sustainability; and

e. State Government assistance to RSPCA to engage local councils and negotiate fee for service for community works.

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92 Mr Swiatkowski, 20 June 2013, Op. Cit., p. 34
93 RSPCA’s response 22 July 2013 to questions on notice from the hearing on 20 June 2013 p. 2-3
94 See para (3.57) of this report for full budget table.
4.20 With respect to the additional State Government funding referred to in (d) above, the RSPCA stated its previously held expectation that the government would provide further assistance of either $1.8m or $1.2m per annum from 2012-13 for 3 years. This belief was based on written and verbal advice that the Board had received from the CEO, following his meeting(s) (around June 2012) with government representatives. However, the Committee also heard that there was no form of written indication/ undertaking from the government or any government representative as to this future action. Ms Ayling informed the Committee:

No, the figures changed again then. It went from $1.8 million and then the CEO told me it would not be $1.8 million it would actually be $1.2 million recurrent for three years which would equal $3.6 million but that we had to go through the finical (sic) review process first to identify where we would make changes. So we undertook that process and we did - we have implemented some of those changes that the interim document presented. But he did say that that process was an exercise to justify giving us the further $800 000 for that year plus the recurrent $1.2 million for another two years.97

The matter was then explained to the Committee further:

Ms AYLING - ...The CEO said that we would get $1.2 million for three years, so that is $3.6 million.

Mrs TAYLOR - Extra?

Ms AYLING - Yes, $3.6 million.

Mrs TAYLOR - On top of what was have been normally -

Ms AYLING - But the $400 000 formed the first $1.2 million. The $400 000 was the first of three payments of the first $1.2 million.

CHAIR - To make up that?

Mrs TAYLOR - You were expecting to get $1.2 million that year?

Ms AYLING - Yes, and that $400 000 was the first part of the $1.2 million.

Mrs TAYLOR - Do you have that in writing from the government, or from a department, or anybody?

Ms AYLING - No, it was just from the CEO.98

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97 Ibid., p. 4
98 Ibid., p. 5
CHAPTER FIVE – THE BOARD

Makeup of Board

5.1 The Constitution of the RSPCA allows for a minimum of three members on the Board—Chairperson, Vice-Chairperson and Honorary Treasurer—and a maximum of eight other members.99

5.2 A Board member’s term will finish at the conclusion of the Annual General Meeting (AGM) three years following his/her appointment to the Board at an AGM.100 Those members will, however, be eligible for re-election with no “time out” clause. The current constitution also allows for appointment of casual vacancies to the Board between AGMs.101

5.3 The Committee notes that the current Constitution (that enacted in 2006) is currently being updated and that a new constitution is being developed.

5.4 The Committee was advised that a change to organisational structure in 2006 left four RSPCA Board positions effectively redundant. Combined with DPIPWE’s reluctance to nominate a Board member (see para 5.12), this meant that in practice, only six positions were available on the RSPCA Board.

5.5 The Committee notes a high Board turnover from 2009. In particular, the number of board members decreased so that whilst there was only one vacancy on the Board after the 2009 AGM as at September 2012 there were three vacancies (not including the government-nominated position).

5.6 Board members do not receive sitting fees.

5.7 The Committee heard specifically about the movement in Board membership during 2010 along with information about Directors’ remuneration as follows:

Mr SWIATKOWSKI - It is all voluntary. Apart from what we call casual vacancies, all positions are elected positions via the membership. Elections generally occur annually, depending if there are any positions vacant and they are generally for a term of three years to allow for continuity with the board. The biggest problems that we have seen, and that relates back to around 2010, was that there was almost a complete change in the board, which potentially created a situation where the wheel needed to be recreated and a lack of continuity of knowledge base or expertise or understanding of what animal welfare is went there as well. I will not go through some of the issues that happened but it was not a good time to be with the RSPCA in 2010.

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99 RSPCA Constitution, Clause 8
100 Ibid., Clause 8 (c) (ii)
101 Ibid., Clause 8 (d)
Since then, we received a lot of help from different people but particularly Michael Linke, the current CEO of the ACT in giving us directions of what the RSPCA should be doing in terms of animal welfare and where we should be going with the board. The thing that has changed is that we have whole bunch of policies now that were not there in 2010 that have helped guide and control us.

Ms AYLING - For that question, Kim, we are all volunteers. We meet monthly, we pay all our own expenses. Paul pays his own travel to national meetings, his own accommodation. It is quite expensive being a board member for the RSPCA. There are no junkets going on up our end.

Mr BOOTH - So the entire costs of the board in terms of the individuals is all voluntary?

Ms AYLING - Yes.\(^\text{102}\)

5.8 From September 2012, only three directors were in place on the Board. This limited Board representation had come about due to resignations and vacancies that had evolved over the 2010 and 2011 financial years. This situation, whereby the Board was operating at half-strength (in terms of the number of board members) was overcome by March 2013 when three further members, with additional skill sets, were appointed to the Board.

5.9 While it appears that the current constitution of the RSPCA does allow decision-making by a minimum Board of three people, the Committee is concerned in such circumstances that disproportionate influence could occur. The Committee is of the view that the Constitution, by allowing such a small number of people to constitute a valid Board, has given rise to a lack of opportunity for “checks and balances” at Board level. The Board has missed a diversity of skills and contribution at the critical oversight level.

The Committee finds it indicative of the above situation, that internal frustration and dysfunctional actions between the former CEO\(^\text{103}\) and the Board became further exacerbated around the time that the Board consisted of only three people.

5.10 While the Committee is of the view that the “undermanned” Board (referred to above in para 5.8) was operating at the time with keen intentions, evidence was received by the Committee that there was nonetheless a perception held by stakeholders that “excessive influence” was held in the hands of a few. The Committee is of the view that this perception bred suspicion and distrust even

\(^{102}\) Mr Paul Swiatkowski and Ms Angela AYLING, Transcript of Evidence, Hobart, 20 June 2013, p. 27

\(^{103}\) The interactions between the former CEO and the Board will be further examined in Chapter 6 of this report.
further within the organisation, at all levels, and to that end, the Committee has previously made comment about the Board’s direction and mistrust of others (see para 3.43).

5.11 Additionally, the current Constitution allows for a government-nominated Board member. It is of interest to note that this has not been taken up by the Government. The Committee received advice from DPIPWE concerning the lack of a government nominated appointee due to:

(i) the perception of an unnecessarily high financial risk falling onto that nominee given the RSPCA’s financial position; and

(ii) a government-nominated Board member could compromise the Board’s independence from government.

Mr Evans, representing DPIPWE, spoke to the Committee on the above matter as follows:

Mrs TAYLOR - Yes. My second question in relation to this, why has the department not taken up the ex-officio seat on the board when we have all seen that things have not been running so well?

Mr EVANS - Maybe I can answer that question. It is a question of governance. I did not think it was appropriate that we put one of our officers in that position given what we understood about the finances and the liabilities that are attached to being a director of a board. We thought it was more prudent that we did not put one of our officers in that position but that we dealt with the organisation through the normal contractual arrangements. At the end of the day, our relationship ordinarily is one where they are a service provider, pure and simple, and that we do not need to be on their board.¹⁰⁴

5.12 The Committee notes the contribution and commitment of the current three longer serving Board members¹⁰⁵. In this regard, two of the longer serving Board members gave evidence to the Committee as follows:

Mrs TAYLOR - There are two areas I wanted to explore, Chair. You two and Debbie have hung in there for a long time. It has obviously been very difficult for a number of years. Can I ask you why have you stayed and what would happen if you left, either now or at any other point? It is a genuine question because I have been in the position myself and you have been in the position where you have had board members come and go. Obviously you love animals, but there is more than that I presume?

Ms AYLING - I think we stay because there is no one else putting their hand up that is doing it for genuine reasons. There is too much rubbish going on with

¹⁰⁴ Mr Kim Evans, 20 June 2013, Op. Cit., p. 3
¹⁰⁵ Mr Paul Swiatkowski, President, Ms Angela Ayling, Vice-President, Mrs Debbie McGrath, Honorary Treasurer.
memberships and things like that, so I think we stay in part to protect it and also because there is no one else.

Mrs TAYLOR - But you just have three new board members.

Ms AYLING - I know, but we think walking out on three new people, if we were to leave straight up, would probably not be the right thing.

Mrs TAYLOR - It has happened. Not with RSPCA, but plenty of organisations that have thought things need to change.

Mr SWIATKOWSKI - There is an argument that maybe you can be there too long. I can say from a personal point of view my intention was to leave in September last year at the AGM simply because I personally believe there is a need for sometimes new ideas in these situations.

Mrs TAYLOR - All boards find that.

Mr SWIATKOWSKI - I am the first to recognise that, but then suddenly we were then thrust into a crisis where we had allegations made that I will not go through again now, but I could not leave in the middle of a crisis. I still couldn’t leave now in the middle of a crisis. It is just not in my nature.

Mrs TAYLOR - Your old constitution didn’t have, for instance, as many constitutions do of board of a similar ilk as yours, that you can be elected for a three-year term and that then that can be renewed once, or a maximum of three three-year terms. You did not have anything like that in your old constitution?

Ms AYLING - No.

Mrs TAYLOR - Do you in your new constitution?

Mr SWIATKOWSKI - Yes, we do. I am not sure how it is addressed but it is certainly staggered boards and, from memory, in the version that we sought a draft from you could only sit there for, say, a maximum of two terms before taking at least a rest for a term.

Mrs TAYLOR - Yes, and lots of constitutions have that.

Mr SWIATKOWSKI - Then potentially coming back again at some future point in time.  

5.13 The Committee also heard evidence about how the new constitution could assist the Board, especially around board turnover which is an acknowledged issue:

CHAIR - Can you identify any of the significant changes that will be in the constitution to the previous constitution you had in place? What will change, if it is supported?

106 Mr Swiatkowski, 20 June 2013, Op. Cit., p. 31
Ms AYLING - The model of it is far more streamlined and the duties are far more defined. One of our biggest problems as an organisation is the stacking of membership, to get people onto votes and wipe boards out and turn boards over. That has been a regular, ongoing problem. So one of those issues is the membership and how we process memberships, and stop that from happening. It is a much clearer constitution. Ours is 2006 - the existing one.107

5.14 While the Committee is mindful of abovementioned practices, such as “membership stacking” which can lead to Board spills and the like, it notes, on the other hand, that a new constitution including clauses on structured director rotation and limitations on director renewals would assist the organisation. In this manner, new and needed additional skills sets are able to be introduced regularly at the Board level.

5.15 The Committee finds that, a new and robust constitution and rules must be implemented, to position the organisation well for the future.

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CHAPTER SIX - GOVERNANCE

6.1 The governance of the organisation is at the heart of this Inquiry, as the Term of Reference speaks to "the capacity of the RSPCA to receive and expend public monies in accordance with public expectations".\(^{108}\)

6.2 Corporate governance refers to the systems and processes put in place to control and monitor – or 'govern' – an organisation. Good governance is embedded in the good behaviour and the good judgement of those who are charged with running an organisation\(^{109}\).

6.3 The RSPCA developed a detailed Governance Policy in March 2012 (Policy). Within this policy the following statement was made:

> Board members take ultimate responsibility for the governance of the RSPCA Tasmania (hereinafter called the 'Society'). However, governance is not a role for the Board and Board members alone. Governance is also concerned with the way the Board works with chief executive officer (CEO), staff, volunteers, service users, members and other stakeholders to ensure that the Society is effectively and properly run and meets the needs for which the Society originated and its Charter.\(^{110}\)

6.4 The Policy sets out the function and responsibilities of the Board and its relationship with management. The detailed document provides a framework for the Board in its oversight role.

6.5 In its section on "Relationship with Management" the Policy states:

> The Board should focus on the strategic direction and the core policies of the Society, and avoid becoming involved in day-to-day operational decisions. Where individual Board members do need to become involved in operational matters, they should separate their strategic role (where they operate independently of any direction) from their operational role (where they act at the direction of management).\(^{111}\)

6.6 The Committee was concerned to hear evidence that the Board had become regularly involved in the day-to-day operational level within the organisation. In contrast, the Board’s own Policy, along with best practice guidance for boards,

\(^{108}\) Term of Reference conveyed from the House of Assembly via letter from the Clerk dated 14 November 2012

\(^{109}\) Australian Institute of Company Directors "Good Governance Principles and Guidance for Not For Profit Organisations", 2013, p. 7 <as accessed at www.aicd.com.au >

\(^{110}\) RSPCA Governance Policy Feb 2010 (as submitted to the Committee on 26 November 2012), p. 1,

\(^{111}\) Ibid., p. 2
suggests that the Board should operate at a higher-level oversight role. The RSPCA representatives gave their position in that regard:

**Mr BEST** - "This is what I am trying to get a picture of, because we had quite a bit of evidence about the functionality of the board. I am just interested what your understanding is of the role and responsibilities of boards of directors?"

**Mr SWIATKOWSKI** - Effectively, the board sets the direction of the society. The CEO, under normal circumstances, is the operational part of the board."\(^{112}\)

Mr Swiatkowski later reiterated the Board’s position:

*The board is 100 per cent aware that it is not meant to be operational. When you say, 'The board did this, that and the other thing', the board had 100 per cent confidence in the CEO during the first six months of his tenure. That happened, strangely enough, to be the probationary period for which the CEO was employed.*\(^{113}\)

The above view was also supported by Ms Ball:

*Regarding the term of reference about concern that the RSPCA is regularly distracted from its primary tasks, prior to the ex-CEO coming on board we did not really hear from the board. It was very unusual. We submitted our board reports. It was the staff who went to the board for help when the CEO went completely off the rails. We asked for their help in sorting things out. That's the only reason they became involved; they did not normally get involved.*\(^{114}\)

6.7 The Vice-President of the RSPCA, Ms Angela Ayling, also spoke to the matter of the Board role and operations. In response to questioning regarding investment in good corporate governance, she noted:

*I would like to answer that. We have been working very hard to deal with our strategic issues. We have dealt with the constitution and have now put it up. We have made significant changes to the constitution. We are redrafting our business plan and focusing on a whole range of governance issues.*\(^{115}\)

6.8 The Committee heard from many witnesses, including the Board, concerning distractions which the Board believed had provided an impediment to its operations during the past year. The majority of the issues raised with the

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\(^{113}\) Ibid., p. 9

\(^{114}\) Ms Alison Ball, 6 May 2013, *Op. Cit.*, p. 3

Committee centre on the Board’s breakdown in relationship with its (former) CEO,\textsuperscript{116} including:

- Actual and/or perceived performance issues of the (former) CEO;
- Relationship issues between the (former) CEO and Board arising from:
  - the CEO’s desire for organisational change;
  - the way that change was attempted to be implemented across the organisation; and the
  - subsequent impact of this on Board relations with the CEO and also with other stakeholders.

6.9 The Committee received evidence that the RSPCA Tasmania had employed four CEOs since 2008 and that two of those had been dismissed for misconduct.

6.10 The Committee recognises that circumstances may necessitate a Board terminating a CEO’s employment contract as part of its governance role. However, the Committee makes no comment or finding on any particular circumstances leading to the dismissal by the RSPCA Board of the immediate former CEO for misconduct. That is a matter for the RSPCA Board and is not within the Term of Reference of this Inquiry.

6.11 The Committee suggests that the RSPCA strongly considers the future direction and culture of the organisation in making new appointments especially at senior management levels and that a rigorous process for senior appointments is fundamental to achieving this.

6.12 Given that two recent CEOs have been dismissed for misconduct, the Committee is concerned with the RSPCA Board’s ability to build and maintain relationships with a CEO so that “...ideally, the Board and the CEO are in a mutually dependent partnership”\textsuperscript{117}.

6.13 The Committee is of the view that RSPCA Board problems with the immediate past CEO would seem to be indicative of deeper problems within the organisation, rather than just problems with this particular CEO.

6.14 To that end, the Committee notes the dismissal of the RSPCA CEO in 2009\textsuperscript{118}. Whilst not disputing a Board’s right to take action against its CEO, the Committee notes the process around the termination and the environment within the RSPCA existing at the time. Regarding process, the Tasmanian Industrial Commission, on Appeal found “the process of termination procedurally unfair, unprofessional and

\textsuperscript{116} Mr Ben Sturges was appointed CEO of the RSPCA in June 2011. He was dismissed by the Board in November 2012.

\textsuperscript{117} AICD, \textit{Op. Cit.} p. 42

\textsuperscript{118} Mr Greg Tredennick was CEO from September 2008 to 4 December 2009
poorly executed”. The Appeal findings also noted the environment of the RSPCA at that time stating:

...the somewhat toxic environment did not assist (...former CEO) in his role. There was a lack of communication within the organisation, considerable media coverage and public announcements about operational changes and publicly aired aspirations of at least one individual to take over the CEO role.\textsuperscript{120}

The Committee is of the view that the abovementioned incident with the ex-CEO from 2009 speaks to the ongoing state of the RSPCA Board\textsuperscript{121} and that the difficult internal environment referred to above from the 2009-10 year either returned in 2012 or never left the organisation (due to unresolved issues symptomatic of problems with governance), but simply resurfaced when difficulties with another CEO again arose in 2011-12.

6.15 Good governance also includes supervising the performance of an appropriate CEO. In the case of the immediate former CEO, a lack of performance measurement process in place meant that his performance was unable to be assessed against expected outcomes in line with organisational strategy. The Committee is of the view that this situation needs to be clarified with future CEOs to limit “role confusion” and in fact, “collaboration with the Board could even be built into a CEO’s job description as a KPI and feedback provided regularly.”\textsuperscript{122}

6.16 It was concerning to the Committee that the Board was working from an outdated strategic plan.

\textbf{Mr HARRISS -} In that vein does the Society, through the board, have a three, five or 10-year strategic plan?

\textbf{Ms AYLING -} We are working on revamping. The CEO did prepare one, it was a one-page document, at the end of 2011 - a draft one-page strategic plan which never went any further - so we have gone back to our 2005-11 one and we are registering that.

\textbf{Mr HARRISS -} 2005-11?

\textbf{Ms AYLING -} Yes.

\textbf{Mr HARRISS -} There was a plan there for a six-year strategic direction for the society?

\textsuperscript{119} Tasmanian Industrial Commission, Decision T13678 of 2010 [49].

\textsuperscript{120} Ibid., [51].

\textsuperscript{121} The President of the RSPCA at the time of the dismissal of the CEO in December 2009 was the current President Dr Paul Światkowski. The current Vice-President Ms Ayling, was appointed “Honorary Operations Consultant on 9 November 2009 (Board appointment) and appointed interim CEO (honorary) in December 2009”. (TIC Decision T13631, para 7, p. 2.)

\textsuperscript{122} AICD, Op. Cit., p.42
6.17 The Committee is of the view that a lack of strategic planning reflects a lack of forward thinking and planning for the direction of the RSPCA. Furthermore, the Committee considers it to be imperative that organisational planning including a strategic plan, focusing on future direction (and an operational model that fits the size and revenue level of the organisation), is in place before any future funding decision is made by Government.

6.18 Evidence has been heard by the Committee about possible changes to the Constitution of the RSPCA. This will assist the RSPCA in clarifying Board operational issues that have been made known to the Committee (not exhaustive) such as:

- Concerns by members and others regarding:
  - the delay of the 2013 AGM and communication around that delay;
  - the timing of meetings and how they were constituted; and
  - the lack of clarity regarding Board eligibility provisions.

- Concerns by the Board regarding:
  - membership stacking and use of proxy votes at the AGM and other meetings.

6.19 The Committee is hopeful that a new constitution will assist as part of a revised framework that will enhance clarity to stakeholders of the RSPCA, in particular, members and volunteers. The Committee recognises governance aspects unique to organisations such as the RSPCA and the critical role that key stakeholder groups, including volunteers, will play in a sustainable model moving forward.

6.20 Regarding regulatory compliance and risk management, which is a key governance component, the Committee received little evidence regarding the risk management processes currently employed by the RSPCA. Such processes seek to identify and manage risks within the organisation and to mitigate risk where possible. Being subject to high financial risk, due to the uncertainty of bequest and donation income, it is imperative that such processes are in place within organisations such as the RSPCA.

6.21 Risks at a broad level for the RSPCA would encompass compliance risks; financial risks (referred to in para 6.18 above); governance risks; operational/program risks; environmental risks; brand and reputational risks and strategic risks.\(^{124}\)


\(^{124}\) Australian Institute of Company Directors “Good Governance Principles and Guidance for Not For Profit Organisations”, 2013, p. 7 <as accessed at www.aicd.com.au>
6.22 With regard to compliance aspects, the Committee received evidence of Inspectorate compliance around its key contract service level agreements with DPIPWE - including regular reporting and the meeting of specified performance. This is one of many examples that the Committee received around the value and performance of the Inspectorate services in meeting stakeholders’ needs. The Committee however experienced the outcome of a (non) compliance aspect first hand in relation to a lack of access to key records and documentation that the organisation is legally under an obligation to retain. Signed RSPCA minutes for 2010-2012 were not able to be sighted by the Committee.

Dr Swiatkowski’s advice to the Committee was:

*Minutes provided are not signed. Signed copies of minutes were held in the RSPCA Launceston Office until they were retrieved by the former CEO Ben Sturges approximately two months ago. We are currently pursuing the return of the Minutes via Mr Sturges industrial advocate Mr Brendan Honner, Australian Services Union.*

The Committee is of the view that compliance risk around contractual requirements, legislation, regulatory requirements and other compliance aspects pertaining to its operations – at both Board and operational levels - needs to be reviewed by the RSPCA as part of an overall entity risk review, which should be undertaken as soon as possible.

6.23 It has been given in evidence that financial management has not been strong within the organisation. The situation whereby lack of financial skills at the critical Board level as well as within the paid staff of the organisation was identified throughout the Inquiry:

**Dr KLUMPP** - Our informal assessment, when we first had a look at the financial statements of the RSPCA, was they were almost uninterpretable. From my point of view, and I have run businesses of my own in the past, it looked as though they needed the skills of an experienced business manager to run the business. With the financial statements, we weren’t able to adequately reflect on how the funds were spent or the way it was managed based on the financial statements. That is my personal opinion.

**Mr GUTWEIN** - What form did their financial statements take? Obviously they weren’t using one of the regular programs, MYOB or anything like that.

**Dr KLUMPP** - They were using MYOB. It was like it was a big pot of money and they had accounts for this, that and the other. There wasn’t any real business structure and clear business strategy or model for the management of that organisation.

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125 Letter from President of RSPCA, Dr Paul Swiatkowski to the Committee, dated 26 November 2012, p. 3
Mr GUTWEIN - Were they reconciling bank statements monthly or those sorts of things?

Dr KLUMPP - I don't know, but it didn't look as though they were...126

6.24 The Committee notes that key stakeholders, such as DPIPWE, have been concerned about the ability of the Board to recognise the gravity of problems moving forward:

Dr KLUMPP - All states struggle with the nature of their funding. You hit the nail on the head when you talked about the way that is managed. There are years where they are flush with bequests and years when they aren't. But management should have procedures in place where they can take the years they are flush and make sure they have forward-looking budgets to manage that. That is just good business practice.

Mrs TAYLOR - Do other states do that?

Dr KLUMPP - Other states are run almost by companies - certainly RSPCA Victoria is a very robust organisation.

Mrs TAYLOR - A voluntary board?

Dr KLUMPP - Yes.

Mrs TAYLOR - Quality people on the board?

Dr KLUMPP - Yes.

Mrs TAYLOR - How we do fix this one year if they were to fix themselves?

Dr KLUMPP - The concern you express is exactly the one I had when I saw the Ruddick report that demonstrated some viability for a short term but did not really demonstrate long-term viability. Of more concern to me was the RSPCA board's attitude to that when they were talking to us. They were saying, 'This shows we are hunky-dory and everything is okay'. I read it and thought, 'That's not what it shows'. What I am getting back from them since that meeting is much more positive in realistic thinking. They are much more open to discussions about the problems they have had and fixing them than they were 12 months ago.127

6.25 Reluctance of the Board to recognise the extent of issues facing it was also noted by the Committee. In reply to questioning around future challenges, the RSPCA responded as follows:

Mr HARRISS - What are the challenges into the future?

Ms AYLING - The continued distractions.

126 Dr Lloyd Klumpp, 17 April 2013, Op. Cit., p. 15
127 Dr Lloyd Klumpp, 20 June 2013, Op. Cit, p. 11
Mr SWIATKOWSKI - Not wanting to be rude but even this parliamentary inquiry is a distraction to the RSPCA for which we are having to expend resources to justify our existence. It is a hard one.

Mr HARRISS - It is not about justifying your existence. One could contend it doesn't go to your operating capacity. Your operating balance - those sorts of things are a matter of fact which any organisation needs to get its mind around. We have a state government whose operating balance blew out by 1 000 per cent over the last three years. My concern sitting here and making some sort of assessment as best I can about the proper use of public money to an organisation, whether it be this one or another one, is for me to understand what the challenges are to you in the future as to your operating balance. Whether it is an inquiry like this, we all confront distractions, but we have to deal with our operating capacity. Some of your operating opportunities arise because of public funding.128

6.26 The governance issue within the RSPCA were summarised further by Mr Evans of DPIPWE as follows:

I think the broader services that they provide to the community for animal shelters and care for animals is really important. They have a good reputation and have done a good job. Operationally it is a pretty good operation. Where I think it has fallen down is in terms of its corporate governance. I am not an expert in corporate governance and that is why we were undertaking the review and were hoping to get this and recommendations. The Bob Ruddick's129 work would be helpful, the sorts of observations that he would have about what a good corporate governance model would look like because he certainly has a great deal of experience in this stuff.130

129 See Ruddick recommendations Chapter 7 of this report
CHAPTER SEVEN – RUDDICK REPORT AND OVERVIEW

Viability and Financial Position – Ruddick Report

7.1 Mr Bob Ruddick, Auditor of the RSPCA provided a written report (Ruddick Report) to the RSPCA Board in April 2013 concerning the RSPCA’s viability.

7.2 The Ruddick Report outlined the ongoing viability of the organisation and its dependence upon bequest levels meeting expectation, along with other initiatives being developed and implemented by the RSPCA.

7.3 Regarding the current position and the future viability of the RSPCA, the Ruddick Report stated:

My analysis of the budgets including recognition of cash on hand at 28 February 2013 and our extrapolation of trading from 1 March 2013 to 30 June 2013 indicate an expected cash balance at 30 June 2013 of $770,000.

As I have independently confirmed the cash balance at 28 February 2013 and have satisfied myself of the integrity of budgets to 20 June 2013 and 30 June 2014, I conclude that the RSPCA should have a cash balance of approximately $590,000 at 30 June 2014.

7.4 Commenting on the annual cash operating deficit of RSPCA, the Ruddick Report further stated:

...an expected operating cash deficit in 2013-14 of approximately $990,000 before including bequest income. The budgets assume receipt of $800,000 of bequests. The value of bequests appears reasonable based on the quantum of bequests that have been received in prior years.

After accounting for receipt of these bequests the budgeted performance of the RSPCA is a cash deficit of approximately $190,000 for the year ended 30 June 2014.\(^\text{131}\)

7.5 The Ruddick Report highlighted the initiatives already implemented by the Board and the need for further initiatives as follows:

This (projected cash deficit of $190,000) is also after accounting for a number of initiatives that the RSPCA has recently implemented. These

\(^{131}\) Ruddick Report, p. 2
initiatives include the reduction of up to nine full time equivalent positions and for the vet clinic to provide only internal services.

Accordingly the budgets indicate that even with the recent initiatives the operating model of the RSPCA has an $190,000 deficit per annum which requires funding from reserves.

The RSPCA will need to implement further strategies to remove its reliance upon reserves.\textsuperscript{132}

\textit{Appearance before Committee – Mr Ruddick}

7.6 Mr Ruddick appeared before the Committee and provided his insights as to the financial situation of the RSPCA, given some seven years of experience with the organisation - in his capacity as Auditor.

7.7 Mr Ruddick gave evidence to the Committee concerning the deficit referred to in para 7.5 as follows:

\textit{Mr RUDDICK} - \textit{In the 2013-14 budget we show that there is still a deficit even with an expectation of $800 000 worth of revenue coming in.}

\textit{Mr BOOTH} - Was that $190 000?

\textit{Mr RUDDICK} - About $190 000. There is still a deficit there, and there is still a requirement in the future to assure that up to $800 000 worth of bequests are brought to account. It is totally arbitrary as to what they might be, and fortunately we have seen a very good run over the last couple of years. From that point of view, yes, we are relatively comfortable and we were able to give that assurance or to satisfy ourselves with the 2013-14 budget because know that level of bequest is already there and has not converted itself into cash at this point in time.

We still have concerns that this is an organisation that, in that scaling down, have removed their CEO and we now still have a board trying to operate the oversight of an organisation. From my experience with organisations in this sector and of this size, I do not think that is a sustainable position going forward.\textsuperscript{133}

\textsuperscript{133} Mr Bob Ruddick, 14 June 2013, Op. Cit., p. 27
Governance Issues

7.8 In response to questioning around governance of the RSPCA, Mr Ruddick gave the following comment:

My personal view is the core of the organisation is not broken. It is still an organisation that is capable of delivering the services that it has out there. The governance of these sorts of organisation, however, does require some fairly strong and experienced people to play those roles. It is a little bit unfortunate that we have a lot of very good meaning people running this organisation at the moment, but I do not believe that they have the depth of experience that is required to engage and to manage both the board and the CEO of an organisation like this. That is why we have had some troubled times over recent periods. We really need somebody that is the next step up who does understand the full breadth of governance more so than people that have that passion towards the animal side of this organisation.134

7.9 The Committee was keen to hear Mr Ruddick’s thoughts on possible options for the RSPCA moving forward:

Mr Booth - Do you have a kind of template of a typical board, and the governance arrangements you have already mentioned, the reserve funding and so forth, but the structure of the board and the separation between the board and the CEO that you could provide to the committee as a template effectively?

Mr Ruddick - Only my personal experience dealing with some very strong Tasmanian people, such as Michael Vertigan and Miles Hampton, people like that. I think we did have when we first were appointed here Michael Kent was the president at that point in time. You need people of that ilk who can then take control and work with a CEO. Also we have seen instances of board members or directors coming into this organisation that are a little bit singly-focused on one issue and do create some real upset within the organisation. They are generally there not for a long time, but they do seek political and media routes to try to push their cause which is not good for this organisation.135

The issue was further discussed as follows:

134 Mr Bob Ruddick, 14 June 2013, Op. Cit., p. 28
135 Ibid., p. 29
Mr GUTWEIN - I want to come back to some of the issues that Mr Booth raised. You guys have probably been in the best position to look externally at this organisation now in the last seven years. You are the best placed out of anyone. We have heard a lot of evidence about issues in regards to the board, issues in regards to management, of the board acting almost as a board of executive directors as opposed to allowing the CEO to get on with the job.

How do you fix it right now? We are in the process of looking at a report as to the capacity of this organisation to manage and to continue to receive public funds. What needs to be done, right now, Bob and Lyndel? We understand the challenges and the fact that it is undercapitalised, that they are in a very elastic situation in regards to planning for future revenues on the basis of bequests. We have heard today as well that in fact in regards to some bequests, like at the end of the day with the stakes there can be a whole range of things that might mean that what we originally thought was going to arrive might not arrive, albeit they seem to have done better this year than what they may have done in the past.

What would your recommendation be right now to actually help this organisation, which really does have the benefit of an extraordinarily strong brand, but some difficulties around that?

Mr RUDDICK - My view would be that the government should seek out a strong president. They should pay that president, and the government should underwrite the payment of that president. They should also indemnify that president. They should allow him or her to put forward a three-year program. They should allow that person and, if they have the proper skill base, to get a new CEO. The CEO should be the sort of person who will engage closely with the chairman and the board. They need a strong president who will also realign the board. Unfortunately, as I said earlier, there are a lot of people who get on these boards who are single issue and seek media outlets for their cause. That all has to be nullified.

If you found a good, strong person to do that, I believe that over a three-year period that person would put into line the requirement to recapitalise this organisation. Hopefully, a new CEO would also engage much better with the community and create situations where they can find alternative sources of revenue. I believe it purely needs a change at the top. I am not trying to discredit the current president or board, but it is a board that has just occurred and people on there at the moment have the best intentions but I do not think they have the business acumen to achieve the outcomes that are required by this organisation. 136

136 Mr Bob Ruddick, 14 June 2013, Op. Cit., pp. 32-33
Mr Ruddick did not favour an "administrator model" for the RSPCA as he believed it would be counterproductive to the brand of the RSPCA:

Mr GUTWEIN - With the corporate governance arrangements of the organisation as it stands, you would almost need to set aside the current constitution and completely review it. As the constitution stands at the moment, my understanding is the board members are elected by the membership. It works a little bit like a political organisation: if you have the numbers you have the position. I wonder how practically that suggestion you have made would work on the basis that you would have to set aside the current corporation governance arrangements?

Mr RUDDICK - I have not thought that one through, but I do not think it would serve any purpose for that administration role that was put in there. I go back to the comment that if you put the terminology 'administrator' in there, I think you start to destroy the brand. Somehow this has to change or be supported. Unfortunately it is through the members, so I am not quite sure how it would occur, but unless that occurs we are going to end up with this continual problem that we have at the moment.137

The Committee agreed with Mr Ruddick's view that the administrator model was not in the best interests of the RSPCA going forward.

Response from Mr Ruddick – How the State Government could assist the RSPCA

7.11 The Committee asked Mr Ruddick to submit details as to how he believed the Tasmanian State Government could assist the RSPCA following the Committee’s Inquiry. The Committee received a detailed written response further to his attendance at the hearing. The response included the following comments which were of interest and assistance to the Committee:

I reiterate my recommendations being:

1. The operational activities of the Society are not ‘broken’ and the Society has substantially resized itself to fit its expected income levels.

2. I cautioned any proposal to put an administrator into the Society would cause substantial ‘Brand’ damage and may directly affect the level of donation and bequest essential to the underpinning of the Society.

3. I suggested that if the Government could locate a person with well credentialed governance and business skills and that person could

137 Mr Bob Ruddick, 14 June 2013, Op. Cit., p. 33
be put onto the Board, preferably as President, then this person could:

i. Bring a more professional level of governance to the Board (ie. work with the Board to overcome the difficulties that have confronted the Board in recent times)

ii. Develop a three year strategic and business plan for the Society

iii. Work closely with a CEO to re-establish stakeholder engagement (i.e. Government, community and media)

iv. Establish a plan for the enhancement of financial reserves.\(^\text{138}\)

7.12 Additionally, Mr Ruddick noted the new skills brought by the three new directors:

...encompassing law, economics, tax, financial planning and experience as a director of not for profit organisations such as the Red Cross. These qualifications add to the skills and experience previously held by the board in relation to veterinary and occupational health and safety.\(^\text{139}\)

7.13 Mr Ruddick also recommended to the Committee that the Tasmanian State Government could further assist the Society by reviewing and increasing its Inspectorate funding to at least a cost neutral basis.\(^\text{140}\)

7.14 The Committee would like to thank Mr Ruddick for providing independent and objective comments as to the current situation. He offered invaluable ideas relating to possible ways forward for the RSPCA.

\(^{138}\) Letter from Mr Bob Ruddick, 18 June 2013, Response to Questions on Notice, p. 2-3

\(^{139}\) Ibid., p. 3

\(^{140}\) Ibid
CHAPTER EIGHT – THE FUTURE

DPIPWE summary comments

8.1 In summary, throughout the Inquiry, the DPIPWE representatives have re-iterated the vital role played by the RSPCA with regard to the Inspectorate function. The DPIPWE representatives have noted advantages with maintaining the Inspectorate operations within the RSPCA, due to:

- the brand of the RSPCA;
- the leverage that the RSPCA is able to obtain via its shelters and other assets; and
- the costs involved in taking the Inspectorate services to another provider.

To that end, DPIPWE representatives have agreed to examine the level of funding currently provided to the RSPCA for the Inspectorate so as to be able to further support the RSPCA in its provision of Inspectorate services.

8.2 Dr Lloyd Klumpp, General Manager (Biosecurity & Product Integrity) of DPIPWE, raised the issue of “future proofing” with the Committee and discussed the future demands for animal welfare services. The following exchange took place when Dr Klumpp appeared before the Committee:

*Dr KLUMPP* - I do think over a longer period of time we need to look at other models of animal care with local government, for example, and what capability might be there

*Mr BOOTH* - By saying that, Lloyd, is that indicating that the burden at the moment that the RSPCA takes on board is effectively too much for their funding streams or something? Why would you want to move it back into a local government?

*Dr KLUMPP* - No, I am thinking more about future-proofing. In the future I can envisage more and more demand for animal welfare services.

*Mrs TAYLOR* - Can you?

*Dr KLUMPP* - That has been the trend for years.

*Mr BOOTH* - Is that because we are caring more and we are more aware of animal welfare issues?

*Mr EVANS* - More aware.

*Dr KLUMPP* - We are more aware, our standards have increased, we have higher requirements, higher standards. We have a whole raft of national animal welfare standards being developed and coming into place. There is going to be a higher requirement and the community demands more of us,
appropriately. Some time in future we should be having a look at the whole system and saying, have we got the right system? I think it is a pretty good system that we have got. Notwithstanding the financial problems there are other models out there and we should not be blinkered in thinking that we should stick down this road.\textsuperscript{141}

Dr Klumpp explained further:

\textbf{Dr KLUMPP} - I think from a pragmatic point of view it is about a limited resource to all of us, the RSPCA, government, local government, and we need to make sure that is in place that it manages that limited resource for the best outcome for the community.

\textbf{Mr BOOTH} - You are clearly of the view that funding the RSPCA to do those functions meets exactly what you just said.

\textbf{Dr KLUMPP} - We have done a lot of work having a look at that. Clearly, given we have a vital organisation that we have confidence in and that they can continue to deliver the quality of service and delivering, it is the most appropriate model. There are other advantages to that as well. Quite apart from the access to shelters, vet clinics and the other arrangements they have with other organisations, it is simply the brand. The RSPCA brand is a powerful brand that is worth a lot. We have had this argument about whether there is independence if you are a government inspector. I believe that is a moot point, but the fact is there is a perception that the RSPCA is independent of government, and that is valuable as well.\textsuperscript{142}

8.3 There was discussion by the Committee with the DPIPWE representatives regarding possible future operational models that the RSPCA could implement. While there was some support for the model suggested by Mr Ruddick, Mr Evans spoke of the need for:

\textit{...a well governed, financially viable organisation and there are lots of ways you could do that. I do not have any strong view about the mechanism by which they get there. It starts with having a good board and they need senior management.\textsuperscript{143}}

\textbf{RSPCA summary comments}

8.4 In summary, the RSPCA representatives acknowledged to the Committee that their operational business model had not been working as it should and was in need of review. Mr Swiatkowski stated:

\footnotesize{141 Dr Klumpp, 20 June 2013, \textit{Op. Cit.}, p. 9  
142 \textit{Ibid.}, p. 10  
143 Mr Evans, 20 June 2013, \textit{Op. Cit.}, p. 13}
Maybe going on to what Ivan (Chair) has brought up as to where we have been moving forward, it should be clearly noted that we were participating in a financial review with the state government. There is broad recognition that our model, as it stood, wasn’t working and needed to be changed. We were hoping that the financial review carried out by the state government was going to give us some answers as to what the options were for the RSPCA in the future.144

8.5 The RSPCA representatives identified and conveyed to the Committee a future direction for their organisation which included the following financial and non-financial considerations:

- a restructure back to core activities (for example; vet services now only in-house);

- examination and review of all key positions within the organisation (noting that a review and subsequent termination of those identified as non-core positions has been undertaken);

- a possible realisation of assets was under review: for example; consideration of the future of the Hobart shelter site at Mornington;

- a proposed revised constitution is in draft format and is currently being distributed; and

- the Board is looking to develop a strategic plan.

8.6 The ability of the RSPCA to maintain its independence from government, as well as to work cooperatively with government inspection services, was seen as an important component of any future course progressed. This was noted by the Chief Inspector, Mr Paul McGinty as follows:

Mr BOOTH - Have you any suggestion to this committee with regard to future structures of funding streams that we have spoken about to add value?

Mr McGINTY - If there was an increase to the funding of the inspectorate by the government, that, in turn, assists the RSPCA company itself. We are a separate arm, in some respects, given that we have that funding from the government, whereas the RSPCA does not. We are in a different stream. But if we were fully funded by the government, that saves the RSPCA filling up the gap.

144 Mr Swiatkowski, 20 June 2013, Op. Cit., p. 1
We have a team now that is aware of our financial struggles, being a not-for-profit charity. It is not news that all charities are struggling. We are aware of that. There are certain things that we cannot budget for. Some years we might have very limited animal seizures. One year we might seize 50 cows which have to be fed. Our budget fluctuates, depending on the jobs we go to and the number of animals we seize. Even our fuel can fluctuate from going to Smithton to going to Launceston. We find it hard to budget for a lot of specifics every year because they do change. But we are aware of the issues that the company has and we are all collectively trying to save as much money as we can in the inspectorate.

Mr Booth - Given your response there in regard to the fact that you alternate inspections between DPIPWE and the RSPCA of commercial operations, and this is a question to all of you: in my view, that seems to highlight what you had said before, that the appointment of either a paid president or a paid chair would have to be done by the board, not by the government because otherwise there could be a real perception of conflict of interest.

Mr McGinty - There are two sides to every coin. What some perceptions are that they do not want, the industry do not necessarily want the RSPCA doing the inspections. Whereas, other industries do not want the government doing their inspections. There has to be that level that the independence of alternating with the department to go and do all these inspections, so that way they cannot just allege that it was conducted by the government or by the RSPCA. I personally think that it is a good idea that we both do them and not just the department and not just the RSPCA.145

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145 Mr Paul McGinty, Transcript of Evidence, Hobart, 20 June 2013, p. 36
CHAPTER NINE – FINDINGS AND RECOMMENDATION

Preface to Findings and Recommendation

9.1 Preliminary to noting its findings, the Committee would like to state that all Members found this to be a very challenging Inquiry with emotions running extremely high from witnesses attending hearings or via tendered written submissions.

9.2 The Committee heard from a number of witnesses and a large amount of evidence was unable to be used as it was submitted outside the Term of Reference. However, this evidence was received and heard in deference to those witnesses and in some cases it provided context and background for Members in the course of the Committee’s Inquiry.

9.3 While the RSPCA is not a government body, it does receive government funding – hence the responsibility of the Committee to undertake its review as requested by the House of Assembly of the Parliament of Tasmania.

9.4 The Committee would like to note the passion for the RSPCA exhibited by volunteers, staff and Board. It recognises the input into and efforts expended for the organisation in recent years during difficult operating times.

9.5 The Committee is of the view that the strong brand of the RSPCA is and should always be bigger than any individual involved from time to time in a stewardship role. The Committee considers it imperative that the RSPCA work constructively with all parties necessary to bring about the changes recommended, rather than challenging the Committee’s findings and recommendations.

9.6 The Findings and Recommendation in this report are overarching rather than prescriptive. They are constituted in this way so as to provide a broad pathway for any future direction by the RSPCA or DPIPWE.

Findings

9.7 Provided an appropriate governance structure that supports the delivery of the strategic needs of the organisation supported by suitably skilled personnel in corporate governance, management and animal welfare is in place, the RSPCA should have the capacity to:

- deliver according to community/public expectations;
• expend public funds in accordance with community expectations; and
• receive continued public funding.

9.8 RSPCA corporate governance and management practices have not been satisfactory.

9.9 During the period under review, the RSPCA has found it difficult to attract and retain a skilled multidisciplinary Board.

9.10 At Board level, there has been a lack of innovation around new structural models.

9.11 The Committee found a lack of strategic direction from the Board. Strategy drives structure and while recent efforts leading to a rationalisation back to core activities and reduced costs are noted, the Committee is of the view that significant influence has been exercised by its longer serving Board members, and this influence needs to be tempered to enable the RSPCA to go through a dedicated restructuring phase.

9.12 The value of the RSPCA to the community in general is not doubted.

9.13 The role played by the Inspectorate to the Government of Tasmania in the administration of the Animal Welfare Act\(^{146}\) is valued. It provides:

• a necessary service;
• value for money
• specialisation to secure prosecutions.

9.14 The Government is currently underfunding the Inspectorate for the given level of service expectation.

9.15 The RSPCA brand is well respected despite internal conflicts within its ranks.

9.16 In relation to the RSPCA, allegations of criminality along with allegations of political interference were made. Elements of evidence received will be referred to relevant authorities for their consideration after the tabling of this report. Due to this referral action, the Committee will make no further comment on any alleged incidents.

9.17 The Committee found that the RSPCA spent a considerable proportion of its revenue on legal expenses unrelated to its core business.

9.18 The RSPCA, in its current structure, is not suitable to receive or expend ongoing public money in accordance with public expectations.

\(^{146}\) Animal Welfare Act 1993 (Tas)
**Recommendation:**

9.19 The Committee recommends that, subject to DPIPWE and the RSPCA agreeing to an ongoing relationship, whereby the Inspectorate service is funded by DPIPWE and housed in the RSPCA:

a) the RSPCA signs an MOU with DPIPWE as early as possible and at latest by the end of the calendar year. The MOU is to be in addition to any future Services Agreement between the DPIPWE and the RSPCA for Inspectorate Services.

Such MOU to include clauses to the following effect:

i. that the RSPCA commits to work constructively towards the development of an appropriate and efficient operating model;

ii. that the most appropriate form of corporate governance for the organisation be adopted; and

iii. that the RSPCA agree with DPIPWE on key targets and indicators for implementation of the restructure and ongoing performance of the organisation;

b) the DPIPWE review the service level it requires for the Inspectorate and considers the adequacy of funding, commensurate with that service level expectation.
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# APPENDIX 1 – SUBMISSIONS AND OTHER DOCUMENTS RECEIVED

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<thead>
<tr>
<th>No</th>
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<tbody>
<tr>
<td>1.</td>
<td>2011-12 Audited Financial Statements of the RSPCA</td>
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<td>2.</td>
<td>Annual Reports of the RSPCA - Financial Years 2008-09; 2009-10; 2010-11; 2011-12;</td>
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<td>4.</td>
<td>Letter from President of the RSPCA to the Committee and accompanying information</td>
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<td>5.</td>
<td>Report to the Public Accounts Committee</td>
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<td>7.</td>
<td>- Comparison Documents - “Analysis of Other States” - Operating Revenue</td>
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<td>8.</td>
<td>Letter from Hon Treasurer RSPCA with attachments</td>
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<td>10.</td>
<td>Letter from Minister Green in response to Questions on Notice from Hearing 17 April and associated attachments Draft Financial Review</td>
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<td>11.</td>
<td>RSPCA Constitution 2006</td>
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<td>12.</td>
<td>RSPCA Governance Policy</td>
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<td>Inspectorate Three Year Comparisons</td>
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| 21 (cont) | • April 2012 Review of Inspectorate  
• Salary Review 2012  
• Chief Vets Business Plan  
• Board Reflection-perspective July 2012  
• Issues impacting future - Aug 2012  
• General Stats-Achvmts 2010-12  
• Report from CEO Nov 2011  
• Strategy Document  
• Annual Report 2012  
• Asset List  
• Salaries  
• Payroll summary Jul 2011  
• Budgets 2012-13  
• MYOB Analysis 2012  
• P-L 2012 Actual to Budget  
• June 2012 Profit and Loss Statement; Cash Flow Statement; Balance Sheet; July & August 2012 Profit-Loss statements | DPIPWE        | 22 November 2012         |
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| 21 (cont) | Letter from Minister dated 22/11/12 and associated documentation including:  
- Leave balances – summary Sep 2012  
- Vehicles  
- Vet work and projections 2013-15  
- Financial Review Aug-Sep 2012  
- Financial Snapshot July 2012  
- Draft Minutes Financial Review Meeting 08-08-12  
- Agenda and Meeting Minutes Financial Review 23-07-12  
- Agenda Financial Review Meeting 27-8-12  
- PD CEO; Chief Veterinarian; Communications Officer; Finance Manager; Veterinarian; Animal Care Centre; Fundraising Manager  
- Constitution Issues - email  
- Per State stats-figures 2010 and 2011 | DPIWE | 22 November 2012 |
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| 21(continue) | DPIPWE Review Terms of Reference  
2012-13 Draft statistics  
Information to Review Panel  
Governance Proposals  
DPIPWE correspondence - budget information  
Fundraising appeals  
Fundraising mailouts | DPIPWE | 22 November 2012 |
| 22. | Letter dated 22 Feb 2012 (sic)  
– to Dr Klumpp, DPIPWE from RSPCA President, re snapshot of RSPCA Finances Feb 2013  
Letter dated 18 Feb 2013 – to DPIPWE from RSPCA - Acquittal State Govt Grant Deed (Sep 12 – Dec 12)  
Letter dated 13 March 2013  
Letter dated 9 Jan 2013 – to DPIPWE from RSPCA - Acquittal State Govt Grant Deed (Sep 12 – Nov 12)  
| 23. | CV – Board Members:  
- Jonathon Croome;  
- Roderick Bowerman  
- Judith King  
Constitution & Amended Constitution | DPIPWE | 28 March 2013 |
| 24. | Review of Vet Clinic – August 2012  
List of “in-kind” support | DPIPWE | 4 June 2013 |
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<td>RSPCA</td>
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