

**THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON
WEDNESDAY 17 APRIL 2013.**

RSPCA

Mr KIM EVANS, SECRETARY, DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT; AND **Dr LLOYD KLUMPP**, GENERAL MANAGER (BIOSECURITY & PRODUCT INTEGRITY), DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Wilkinson) - Welcome, gentlemen. Would either of you like to make an opening statement?

Mr EVANS - By way of introduction, Lloyd Klumpp is the general manager of biosecurity and product integrity in the department and looks after a whole range of animal and plant health functions and the relationship with RSPCA. I am not going to go into too much detail because you have had our submission and information and I will let that stand.

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.

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.

That financial review is not an independent, external review of their finances. It is something we have undertaken as a joint exercise with the RSPCA. The review committee involved a senior officer from my department as the chair, an officer from Treasury, the president of the RSPCA and the then CEO. That was progressing nicely and we were addressing both the financial issues and the governance issues associated

with the performance of the RSPCA. We were required to put it on hold after some internal issues arose within the RSPCA between its management and the board and within the board itself around the governance of the RSPCA, and then between RSPCA Tasmania and RSPCA Australia, regarding planned reforms of four Tasmanian animal welfare inspectorate services.

Mr BOOTH - You said that you were required to drop that. Why did you stop that review because of those issues?

Mr EVANS - At a point in time last year, it was not a functional organisation with respect to its board and also because of the dispute between the board and the CEO, which meant having constructive discussions as part of this review to try to sort out the future finances and the future governance.

Dr KLUMPP - The other body that was involved is RSPCA Australia. They were also part of this conversation. The review panel and the membership of that review panel comprised that group of people and the relationships between that group of people broke down, the CEO, the board of the RSPCA and RSPCA Australia. The review was put on hold until the membership was sorted out.

Mr BOOTH - Was that by mutual consent? How did you physically do it?

Dr KLUMPP - It was decided by the then chair of the panel. The review was being frustrated by that breakdown in relationship. A letter was sent to the parties saying that the review was on hold.

Mr GUTWEIN - Funding is around \$400 000 per annum for the inspectorate, is that right?

Dr KLUMPP - Yes.

Mr GUTWEIN - Is that paid on a monthly basis?

Mr EVANS - The funding for the inspectorate is paid on 12 one-monthly instalments.

Dr KLUMPP - At the moment. It has been a quarterly payment. But when we came to understand that the finances of the organisation were risky, we talked to the RSPCA and they agreed that we would fund them on a monthly basis on the basis that we did not want to be caught giving them a whole bunch of money to an organisation that was not liquid.

Mr GUTWEIN - It had been quarterly in advance?

Dr KLUMPP - Yes. The normal situation was in advance. While this process was going on, we had renegotiated the monthly payments.

Mr GUTWEIN - The situation within the board and between the board and the CEO was fractious; we know that and that was the reason you stopped the review. In regard to the purpose that public money was going to an organisation which was primarily for the inspectorate, is that right?

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.

Mr GUTWEIN - Can I come back to the \$400 000, referring to the Ruddock 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 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 Ruddock 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.

Mr GUTWEIN - Would it be fair to say that the majority of the \$400 000 presumably went to pay creditors that were outstanding as of July and August last year?

Dr KLUMPP - No, I don't know about creditors but there were certainly operating costs. We actually asked for acquittal of those funds. We had acquittal of those funds and how those sums were spent and clearly they were spent on operational costs of the organisation.

Mr BOOTH - How was the judgment made to just give them \$400 000? I'm interested in how it came to be that DPIPWE or the government effectively gave another \$400 000 to the RSPCA. Was it on the request of a minister or was it on a request of the RSPCA or somebody internally in the department?

Mr EVANS - We had done the internal review, so we had a pretty good understanding of their financial position through a desktop and what their needs were. There were a number of political discussions, obviously, with the minister, but my understanding, although Lloyd might correct me, is that we were asked to go away and talk with Treasury and it was through a discussion directly with Treasury that we came to an agreement based on what we knew about the state of their finances and that we should undertake this review and provide that quantum of funding.

Mr BOOTH - So the minister directed you to provide the funding, did he?

Mr EVANS - It was through a range of discussions that took place internally within the department with Treasury and with the ministers.

Mr BOOTH - Do you have documentation which documents the process of deciding to give them another \$400 000, like where that impetus came from, whose idea it was and ultimately who made the decision to do it?

Dr KLUMPP - I suspect you'd need to look at Treasury.

Mr BEST – It's kind of on the same thing -

CHAIR - If Kim could finish that line of questioning, Brenton, and then you can come in.

Mr BOOTH - You must have documentation.

Dr KLUMPP - I wasn't involved in those discussions. My understanding was that a meeting was called with Treasury involved, and we have from Treasury essentially confirming that any requests for original claims would be met. That is the information that we have.

Mrs TAYLOR - A request from the RSPCA?

Mr KLUMPP - From us if that grant was -

Mr BOOTH - Then in terms of the communication you had with the minister about it, you wouldn't ordinarily have thought DPIPWE would be able to just simply decide to give \$400 000 to anyone, would you?

Mr EVANS - No, and we didn't unilaterally make that decision, but the decision to make those funds available arose out of a meeting between my agency and Treasury with staff from both the Treasurer's office and the minister's office and from my agency's perspective it was one of my deputy secretaries. John Whittington was at that meeting and from Treasury's perspective it was Tony Farrell . I don't have the paper trail here but my assumption would be that they would have made a recommendation to the Treasurer as a consequence of that meeting.

Mr BOOTH - Did you provide that paper trail into the committee, Kim?

Mr EVANS - I can certainly have a look at it. I don't own the paper trail because it would come from Treasury, but I am happy to have a look at what we can do.

Mr BOOTH - Perhaps, through the Chair, if we could note that. We need the documentation. There is not much point interrogating you on something that isn't necessarily in your control but it is important that the committee is provided with all of the detail around how it came to be that the grant was made, who authorised it and if there is a deficiency in the documentation from Treasury perhaps you could advise us and the committee could seek it from Treasury.

Mr BEST - First of all, congratulations for your patience in working with the RSPCA. Having looked at these files, holy macaroni, you deserve a medal. I just wanted to get that one in.

CHAIR - Is that a question?

Mr BEST - No. This stage is in public and not in camera but I don't mind having it on record. These guys deserve medals.

With some of my notes here, as I want to get this right, and then if I can with the thing that Mr Booth raised. Over the past two years the RSPCA has received, as I understand it, approximately \$1.5 million of taxpayers' money broken up as follows: 2011, \$180 000 grant based on a submission from RSPCA Tasmania to assist with solvency of business - you can take this on notice if you like but you probably know it anyway - 2011, \$400 000, DPIPWE service contract for the enforcement of the Animal Welfare Act; March, 2012, \$180 000 payment to assist with additional costs of running inspectorate based on proposal developed by the CEO and RSPCA Tasmania. Then we have this \$400 000, which I think Mr Booth is asking about, in 2012, the DPIPWE service contract for the enforcement of the Animal Welfare Act. Is that the one you're asking about?

Mr EVANS - That is the enforcement service.

Mr BEST - There is another \$400 000 I have here as well.

CHAIR - Could I just cut in, are you asking questions because -

Mr BEST - I just want to get this factually right first and then I intend to ask a question. Finally, and this is the last one, August to November 2012, a further \$400 000 grant - and this is what we are trying to work out - was that based on a submission on the solvency because you mentioned that that was to protect the solvency of the business, is that correct?

Mr EVANS - Yes.

Mr BEST - So there were two lots of \$400 000 then.

Mr EVANS - For two entirely different purposes.

Mr BEST - Yes, exactly right.

CHAIR - So your first question would be -

Mr BEST - I am outlining these figures so that I get it right.

CHAIR - I just want to confirm that. The figures that you have just outlined - you are asking, as I understand it, Lloyd, whether those moneys were supplied to the RSPCA?

Mr BEST - Correct. The next part of my question is - I can give you that in writing if you like because I have written them out here - all this funding, as I understand it and could you confirm it, was this supplied to assist the RSPCA in discharging its core business of animal welfare in Tasmania? Is that right? Is that exactly what it was supposed to be for?

Dr KLUMPP - Exactly what it was supposed to do, yes.

Mr BEST - Do you think that has happened or was that too broad a question?

Dr KLUMPP - Too broad a question, I think.

Mr EVANS - In terms of the fee for service arrangement with respect to the animal welfare inspectorate, we would be confident that we received good value for money. With respect to the other funding, the \$400 000, that was a specific agreement to enable the RSPCA to maintain its solvency whilst we undertook a review and worked with the organisation to restructure its finances and its covenants.

Mr BEST - I just have a couple of follow-ons. I will not take up too much time and then I will hand over. What process does the government have in place to monitor where this money is being spent? What process have you put in place?

Dr KLUMPP - We have two funding agreements. For the service agreement we have a service level agreement, which we negotiate every year and we have a set of reporting requirements -

Mr BEST - You have those.

Dr KLUMPP - for the service agreement that the RSPCA needs to report upon on a quarterly basis, so we monitor that. There is an ongoing relationship with the chief inspector, between our officers and theirs, so that we have an informal catch-up on a regular basis as well. There are lots of mechanisms in place for the operation of the inspectorate.

Mr BEST - Did I see that in your submission? Maybe we could have that information. Would that be okay to ask for that, Mr Chair, that we could find out what you have in place, the model, like you are saying what they need to comply with in regards to that. Is there clear evidence of expenditure on core business as opposed to excessive expenditure on, say, lawyers and consultants?

Dr KLUMPP - Certainly in terms of the inspectorate we are very confident that the money is spent appropriately.

Mr BEST - This is the \$1.5 million that I am referring to.

Dr KLUMPP - That is correct and I will get to those two separate bits. In terms of the \$400 000 grant, we did ask for a quick look at those funds and we have been provided with documentation from the RSPCA about how those funds were acquitted, so we are confident that they were spent on operational costs. I guess the answer to your question is yes.

Mr BEST - You can provide that to us. Obviously we do trust what you say, although it sounds like I do not.

CHAIR - If I can just quickly - that was \$1.5 million over two years?

Mr EVANS - That is made up of a whole grab bag of stuff.

Mr BEST - Which is why I tried to list that. Then you talk about benefactors or people who have donated money; do you have any access to where that has gone?

Dr KLUMPP - No, and that is not really within our responsibility. Our responsibility is about the inspectorate and our service agreement with the inspectorate.

Mr BEST - Do we know how much money they have received in donations and that sort of thing?

Dr KLUMPP - Only what is in the Ruddock report.

Mr BEST - We do not know how that is being spent then?

Dr KLUMPP - No, and it is not our responsibility.

Mr BEST - I cannot really hold you responsible for that. Of the money that has been given as grants to assist with the solvency of the business, how can government be assured that - okay, you have pretty much said you can guarantee that it has not been put into any lawyers or consultants -

Dr KLUMPP - We have their documentation.

Mr BEST - We need to get that, don't we?

Mr GUTWEIN - Can I just ask the definition of operational costs that you are using?

Dr KLUMPP - That's business training costs, etcetera, for running the shelters, the payment of wages and those sorts of things.

Mr BEST - My understanding is that \$150 000, at least in 2012-13 was spent on lawyers and consultants, but you are saying that is not government money then.

Dr KLUMPP - I do not know anything about that money. I know what the RSPCA has told me they have spent on the running of the operation. How which dollar went where -

Mr BOOTH - Just for clarification, then: those additional numbers that were raised by Mr Best in terms of \$1.5 million or whatever, some of that was the fee for the service level agreement with regard to the running of the animal shelters, I think it was.

Dr KLUMPP - The inspectorate, yes.

Mr BOOTH - Running the inspectorate. Were there any other things beyond the \$400 000, then, that were not part of the service level agreement to do with running the inspectorate?

Mr EVANS - Yes, we made an allocation of funds, \$65 000 or thereabouts, to assist with the implementation of the cat legislation. The number I don't have just off the top of my head but it is in that order.

Mr BOOTH - Perhaps for clarification, the information I have asked for and the committee has agreed and you have agreed that you can provide it - if you could broaden it out to all of the financial grants that have been given to the RSPCA. What the methodology was from the communication to who authorised it. What the processes were.

Mr EVANS - It is \$56 000, I am dyslexic obviously. It was made to the RSPCS under a separate program to assist stakeholders to implement the Cat Management Act in 2009.

Mr GUTWEIN - Just for clarity for the committee and Brenton has run through a range of number there. Over that two-year period that Brenton was talking about, one year there was the \$400 000 operating service agreement and I am presuming in the previous year it was \$400 000 or thereabouts. Do you have a breakdown of that? Two lots of service agreements.

Dr KLUMPP - In fact we have six years' worth here. In 2012-13 it was \$400 000. In 2011-12 it was \$580 000.

Mr BEST - Oh, \$580 000.

Mr EVANS - It was \$400 000 plus the \$180 000. That is the \$180 000 that you have.

Mr BEST - They were separate, though, weren't they?

Dr KLUMPP - Separate.

Mr GUTWEIN - What was the \$180 000 for?

Dr KLUMPP - That was an additional [?indistinct 1:36:36] funding.

Mr GUTWEIN - For?

Mr BEST - Solvency, wasn't it?

Dr KLUMPP - No. It was for the running of the inspectorate.

Mr GUTWEIN - So \$580 000 in total for the inspectorate.

CHAIR - Can I ask what the extra \$180 000 was for, though?

Dr KLUMPP - I think that was a top-up because of extra requirements for that year.

CHAIR - Such as.

Mr EVANS - We would have to take that on notice to get some detail around that.

Dr KLUMPP - It goes back; similarly, 2010-11 was for just base \$400 000.

Mr GUTWEIN - In 2012-13 there is obviously the \$400 000 service agreement and the \$400 000 grant, so \$800 000 in this current year. \$400 000 last year base service agreement plus a further \$180 000 to top that up. Were there any other payments?

Dr KLUMPP - There was another top-up of \$180 000 earlier this year. We would have to take that one on notice too.

Mr BOOTH – Yes, all of that.

Mr GUTWEIN - If we could that would be useful.

Mr EVANS – So we could bundle up by year how much money has gone to the RSPCA and for what purpose.

Mr BOOTH - Yes, and the methodology of how it got delivered and why the decision was made to do it, who made it, where the direction came from, et cetera.

Mr BEST - So am I right in assuming from what you have said is that you had your investigation, but what has been happening is in relation to the government money that has been given - that is really what you are focusing on. In the context of the financial reports of the organisation itself, the board of financial reports; I am trying to use the right words. You are not saying that you are not concerned, but you are more concerned about the government money, here it is, that is what has been spent as opposed to the overall financial report of the RSPCA. Is that true or not?

Mr EVANS – 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.

CHAIR - The question is, did you look into how it got to this situation?

Mr EVANS - Yes.

CHAIR - Did you make any findings as to how it got to this situation?

Dr KLUMPP - That was, hopefully, what one of the outcomes of the review would have been if it had continued.

Mr BOOTH - Can we have the documentation of all of the work that you have done on that review?

Mr EVANS - We have a draft report which was not complete, up to the point where obviously we couldn't talk to them any more because they were falling apart. It hadn't been finalised, but subsequent to then they have done a lot of things themselves, some of the actions that Lloyd outlined in terms of reducing their costs. They've been lucky to get some bequests, and working on their own governance review and making changes to their board, etcetera.

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, 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.

Mr GUTWEIN - Can I ask you a question, then - following on from something that Brent raised about this matter of legal fees and consultancy fees - did you satisfy yourselves in regards to that spending of the \$400 000 grant that they weren't simply costs in the organisation, that they didn't have, for example, \$150 000 worth of legal fees that was affecting their bottom line? The taxpayer provided them with \$400 000 which they used to pay, for example, \$150 000 worth of salaries that they couldn't have paid prior to receiving that grant because they needed to pay money for those legal fees. Did you test whether or not cost-shifting occurring in how they spent that money?

Mr KLUMPP - Only from the point of view that we had their financial statements in front of us, and the acquittal funds and there was no indication that that happened.

Mr GUTWEIN - So those financial statements - I want to assist my colleague, Mr Best - in regard to those matters, employers' fees, etcetera, and consultants' fees, in the financial statements they provided there was no entry that would indicate that they had those sorts of costs?

MR KLUMPP - I will take that on notice and look at the financial statements myself.

Mr GUTWEIN - Would we be able to receive a copy of those financial statements that they provided?

Mr KLUMPP – Unfortunately, the officer who did that review has moved on, so some of the information you're asking is stuff that we will have to go back and refresh.

Mr DEAN - I confess I haven't been right through all the documentation, the information might be here, but have we a copy of the contract between you and the RSPCA?

Mr KLUMPP - The service agreement?

Mr DEAN - Yes.

Mr KLUMPP - Yes, you should have a copy of it there.

Mr DEAN - It's in our record, okay. So I'm trying to work out: your first knowledge that things were not going well was on a request from the RSPCA for further funding - is that it?

Mr KLUMPP - No, no, no.

Mr DEAN - When did it first come to your notice?

Mr KLUMPP - It was March last year. The then CEO came to me, asked for a meeting with me, and I had only met him on one occasion prior to that.

Mr BOOTH - Who was that?

Mr KLUMPP - That was Ben Sturges.

Mr BOOTH - Right.

Mr KLUMPP - And I had made it a point of going and meeting with the board. Ben was at that meeting, when I first came on board, into this job. That was the only time I had met him before then. He requested a meeting with me and he said, 'Look, we think we've got in a bit of financial trouble. Can you help us?' And that's what prompted us to ask the question: what is the reality here? What sort of problem is it? I got my business manager, along with some assistance from another part of the agency, simply to do that informal review of what the situation was so that we were well informed of what the problem was before I made any other step. That informal review by our business manager suggested that there was a \$1.1 million operating deficit for the next 12 months. That's when we started to talk about why they were in the position and what sort of things needed to be done to change it. We got to the point where we gave them a set of recommendations. I believe at that point Ben approached the minister.

Mr DEAN - Sorry, you approached the minister?

Mr KLUMPP - No, no, no.

Mr DEAN - Ben did.

Mr KLUMPP - That's right.

Mr DEAN - Ben went to see the minister.

Mr BOOTH - So what date would that have been, roughly?

Mr KLUMPP - June-July, I think.

Mr BOOTH - After he approached them?

Dr KLUMPP- I do not know when that occurred; it was March to May that we were initially involved in order to try to assist them in terms of advice.

Mr BOOTH - How did you become aware that he had approached the minister?

Dr KLUMPP - I think from a response from the minister's office, from memory. Or the request for a briefing from the minister's office, perhaps.

Mr BOOTH - Was there any further communication with the minister with regard to funding for the RSPCA as a result of that?

Dr KLUMPP - I am not aware of it.

Mr BOOTH - Could we have all the communications between the minister and the RSPCA, the CEO and the RSPCA?

Dr KLUMPP - I would have to ask the minister's office for that. I can give you the communication between myself and the CEO, between myself and the minister's office. I am not privy to the communication between the minister's office and the CEO.

Mr BOOTH - No, I did not ask for that. Just the communication that you have had there.

Dr KLUMPP - Certainly

Mr BOOTH - Only that stuff, obviously. You have received and sent emails and sent emails to the CEO as well as the minister, I presume, so if we could have that.

Mr DEAN - Prior to that approach from Ben Sturges were there any other approaches that you were aware of by Ben Sturges or the RSPCA for bailouts. for want of a better way of putting it?

Dr KLUMPP - Not to my knowledge.

Mr EVANS - There may have been in previous financial years, but not in recent years. Three or four years ago there was a crisis as well.

Mr DEAN - But not in the last couple of years I am talking about.

Dr KLUMPP - Not that I am aware of.

Mr DEAN - I guess what you are saying is it really came out of the blue.

Dr KLUMPP - In fact we were in the process of starting to set up the renegotiations for next service agreement because I wanted to tighten up and put in some more performance indicators that I was looking to implement. In my view we were going along reasonably well. So I had no indication.

Mr DEAN - Had there been any other discussions other than Ben Sturges from the RSPCA to yourselves?

Dr KLUMPP - In the last couple of months there have been.

Mr DEAN - Who is that from?

Dr KLUMPP - From the board. So we have been working with the board; despite the fact that the review was frustrated, they have gone on and proceeded to implement some of these things. The reforms; they have a new constitution. I am looking to an ex-[?indistinct TBC 1:48:00] agreement period; we need to have an inspectorate continuing on in a functional way. So I have been talking to RSPCA Australia about contingency plans if this organisation fell over. I have been investigating what options might be available for us to step in if RSPCA Tasmania fell over and of course we needed to think about what the service agreement might look like with RSPCA Tasmania in the event that they were a functioning organisation. I have been talking to the board about all of

those things and trying to gain some confidence about the viability of this organisation so that we have a functioning inspectorate. That is my prime responsibility.

Mr DEAN - Nobody else has been to you, then, in discussion on this issue?

Mr EVANS - Only directly through the RSPCA.

Mr BOOTH - Have you been approached at any stage by any other member of parliament with regard to this matter?

Dr KLUMPP - Not personally. We have had a meeting with Cassie O'Connor and, sorry -

Mr CHAIRMAN - another minister

Dr KLUMPP - the shadow minister, Jeremy Rockliff, so there was a meeting with Jeremy Rockliff, Cassie O'Connor and Bryan Green at which we talked about this issue and that was a meeting where it was agreed that this should be referred to this committee. That is the only other discussion I have had with any of them.

Mr BOOTH - What was the nature of the approach?

Dr KLUMPP - I think it arose out of a conversation. It was essentially a briefing to say we had a joint understanding of where things were going and some discussion around the value of having this committee have a look at it.

Mr BOOTH - Do you have notes from that meeting?

Dr KLUMPP - I probably have.

Mr BOOTH - Could the committee have those notes and documents associated with that?

Dr KLUMPP - If I have them.

Mr BOOTH - Was there ever at any stage an approach from anybody - a member of parliament or a minister - with regard to potentially not funding RSPCA Tasmania?

Dr KLUMPP - No.

Mr BOOTH - What about shifting the funding to RSPCA Australia rather than Tasmania?

Dr KLUMPP - Nobody else approached. It was decided that we should explore contingencies. There was never any agreement that that would happen. This arose, I believe - I was not at this meeting and I believe you have the minutes of this and the documents already - in a meeting of the review panel. At one point it seemed likely that RSPCA Tasmania would be wound up and at that point RSPCA Australia offered to provide the inspectorate services. Arising out of that was the development of contingency plans - and that is all they were - for what may happen if RSPCA Tasmania wasn't able to provide that service.

Mr BOOTH - But at this stage, then, the funding is still going as per the service level agreement with RSPCA Tasmania?

Dr KLUMPP - We are still working on the assumption that this organisation would be a viable organisation in the long term.

Mr BEST - I think it's safe to assume that what you're saying is there was no political interference from any member of parliament in relation to the work that was undertaken by the department?

Dr KLUMPP - No.

Mr BEST - I have some information about the fact that in some cases sundry expenses were almost out by \$100 000 in the financial report 2011-12. Were you aware of that? I asked two questions. I said that you were monitoring the government's money and I then said you didn't care too much about the real financials, but you have indicated that you were concerned about the overall financials, other than the fact you didn't really take an interest in where money was spent via donations.

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.

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. The person responsible for their accounts was essentially a kennel girl – she wasn't a trained accountant. These are personal communications and I don't have documentation to support that.

Mr BEST - Is there any benefit for the committee in speaking to the accountant? Do you think there is any benefit to the committee in speaking to the accountant? Getting them in and asking them?

Dr KLUMPP - I think there is.

Mr BEST - Moving on then, to the board of governance, what interface does DPIPWE or other areas of governance have with the board of the RSPCA in terms of boards of governance in the work that we do, that they do? Do you see any relationships there?

Dr KLUMPP - No, apart from the service agreement, that's our only real interface with them.

MR EVANS - And usually we deal with the CEO, in more recent times with the board.

Dr KLUMPP - But you normally would deal with the chief inspector, rather than the CEO. Sorry, there has been one other interface, but it's not a formal relationship, and that's simply through - there have been occasional committees where the chief vet sits on a committee, for example AWAC. The RSPCA has a representative on the Animal Welfare Advisory Committee. So there is that interface. The chief vet sat on the steering committee for the implementation of the sow stall and caged-hen initiative. Those joint meetings, or meetings that we are jointly involved in, but no other governance interface.

Mr BEST - Is the government satisfied with the governance processes and risk management of the RSPCA? I guess you're saying that you're not really, but it's moving forward, I guess, if I can put word in your mouth, but that's what I gather.

Dr KLUMPP - We've just been presented with that list of reforms that they've implemented, and the membership is presented with the proposed new constitution. We're yet to do a thorough assessment of that, but we will.

Mr BEST - Because the contract that you have, or the service agreement to enforce the Animal Welfare Act - I think you said that you feel that you're getting value for money based on - because I'm left with a big question mark over that one, to be honest.

Dr KLUMPP - I think it's because it is actually leveraged, so we provide funding for five inspectors to do the inspectorate work.

Mr BEST - And they're managed by the RSPCA.

Dr KLUMPP - Yes.

Mr BEST - And you're happy with the way they've been managed?

Dr KLUMPP - Yes. The inspectorate?

Mr BEST - Yes.

Dr KLUMPP - Yes.

Mr BEST - Right.

Dr KLUMPP - I'm talking about in an operational sense; in a financial sense that may be different. That's part of -

MR EVANS - The inspector is on the ground.

Dr KLUMPP - The inspector is on the ground doing a job.

Mr BEST - On the ground, but who is managing them then?

Dr KLUMPP - The chief inspector. So there's a chief inspector.

Mr BEST - And he is employed by the RSPCA?

Dr KLUMPP - He is employed by the RSPCA. Now in the past, they have provided more than that base level. At one point they had nine FTEs devoted to that, nine inspectors. We're paying for five.

Mr BEST - Right.

Dr KLUMPP - They did that of their own -

Mr BEST - But it must have been hard for them to do their work, given all this stuff going on.

Dr KLUMPP - I'm sure it must be, yes.

Mr BEST - I am thinking of Parks and Wildlife officers and people like that, based on all the evidence that we have, I would have thought it would have been much more efficient to have maybe just had the people directly employed through a department.

Dr KLUMPP - 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.

Mr BEST - They have got themselves into a financial position of requiring \$1.5 million just in that alone. I am not having a go at you, but how can you tell this committee, then, that they really are managing the shelter so much better and you are really getting that leverage because it seems to me that -

Dr KLUMPP - I am not telling the committee that that is -.

Mr EVANS - Some of that funding, though, is for a direct fee for service.

Dr KLUMPP - What I am saying is that we are working through those options in order to understand and gain their confidence. If we do not gain their confidence, then there are two other options we have explored. One of them is to undertake those inspectorate

services ourselves. The other is to accept RSPCA Australia's offer to undertake those inspectorate services.

Mr BEST - Because we do not know how much money they have been donated, do we? Oh, you do know, don't you?

Dr KLUMPP - We have got what Ruddocks have told us.

Mr BEST - We do not know where that is being spent, though, do we?

Dr KLUMPP - No. Other than the Quicken funds we do not know what their -

Mr BEST - But we do know that the government has had to put in extra money.

Dr KLUMPP - We have that report from Ruddocks now, which was delivered last Thursday. It essentially does outline the financial operation of the organisation and I have concerns over that report.

Mr BOOTH - The Ruddocks one?

Dr KLUMPP - The Ruddocks report. It does exactly what you say; it talks about how the funds of the organisation are spent. It comes to the conclusion that they have a \$190 000 operating deficit per annum. That conclusion is also based on an assumption that they raise funds to the order of \$800 000 per annum. That is based on historical fact that they have been able to do that, raise that \$800 000.

Mr BOOTH - You mentioned you had these meetings with the CEO; that was the person you generally met with and then I think you said that most of the meetings then took place with the chief inspector. Those meetings were to discuss what? The performance of the RSPCA? Can you tell me what the specific purpose of the meetings were when you were meeting with the CEO and whether there was some sort of a performance -

Dr KLUMPP - I did not have regular meetings with the CEO. I had one meeting with the CEO where he approached us and I think I had a follow-up meeting. I had two or three meetings with the CEO in total. That was that initial meeting and there was a meeting to discuss the outcomes of our informal review, and then the other meetings happened inside that panel, inside the review panel, and I was not involved in those. In terms of the inspectorate, they were essentially operational meetings and the chief veterinary officer met with the chief inspector for most of those meetings. I met with the chief inspector on occasions to talk about the service agreement.

Mr BOOTH - So they were not to do with the general solvency of the organisation?

Dr KLUMPP - No.

Mr BOOTH - They were to do with the service level agreement?

Dr KLUMPP - They were operational meetings.

CHAIR - You were saying a while ago that the RSPCA had some difficulties about four years ago and I can recall those. It was certainly in the press where they found themselves in some difficulties. Was there anybody you know of or should there have been anybody keeping an eye on them to see whether they could get themselves out of the problems that were surrounding them around about four years ago?

Dr KLUMPP – Clearly, I was nowhere near it at that stage.

Mr BOOTH - Thankfully.

Dr KLUMPP - Thankfully, yes. I do not what processes were undertaken.

CHAIR - When was the first time that you became aware that there were these problems four years ago and it may have been worthwhile for somebody to go in and see how they were recovering from those problems?

Dr KLUMPP - I think the first time I became aware was when we started to have the discussions after that first meeting with the CEO. I went to my chief veterinary officer and I said, 'There is a problem here,' and his first response was, 'Here we go again.' That was when I first became aware of it.

CHAIR - My question would be: you find yourselves suddenly a million dollars in the red?

Dr KLUMPP - Yes.

CHAIR - Should there have been alarm bells ringing prior to that to say look we are having some difficulties? What should we be doing, who should we be seeing to try to get us out of these difficulties at an earlier stage as opposed to \$1 million later?

Dr KLUMPP - I think it is not only an important retrospective question; it is also an important prospective question. We need to ensure - that is part of what we are doing now - we need to be in a position where we are confident about the long-term viability of this organisation before we do any more in terms of both the inspectorate or -

CHAIR - Therefore, what governance role is there and who should play it to ensure that what is happening is in accordance with proper financial practices are opposed to what we have seen, not knowing that you are in the situation that you were in?

Mrs TAYLOR - The RSPCA board ought to be looking at it.

CHAIR - Yes.

Dr KLUMPP - I was about to say, I think it comes down to this new constitution and I think we need to provide all the advice we can, understanding that this isn't our organisation. We need to provide all the advice we can to ensure that they have a robust constitution which ensures this sort of thing is not going to happen, I don't know whether the previous constitution had that.

CHAIR - That is what I was going to ask. It is the board that no doubt will have the figures before it at every meeting to see how they are tracking. Are you able to say whether the

board had those figures before them at all or who would I ask? Do I need to ask the board or the RSPCA themselves?

Dr KLUMPP - I would say so.

Mrs TAYLOR - The Ruddocks say that they had projected budgets for this because their conclusions are that the integrity of the projected budget to 30 June 2013 had nothing wrong with it; that was a reasonable basis and the same with the budget which went before then. They must have a very insecure income.

Dr KLUMPP - Yes, that is one of the problems with the organisation.

Mrs TAYLOR - That is one of the problems; they don't have a regular income stream - from you, they do. I guess they are reliant on \$800 000 -

Dr KLUMPP - I believe they are investigating other ways of secure incomes, for example, offering kennel services which provide a steady income so hopefully this will align with somebody's bequest.

Mrs TAYLOR - They might have some agreements with local governments too in terms of providing RSPCA services for councils.

Dr KLUMPP - I believe they are investigating that but I'm not aware of what they are or the detail.

CHAIR - Therefore, it would seem that, by having a new constitution which gives some muscle, it would seem, to the board. Do you think that should occur, is occurring or -

Dr KLUMPP - I believe that is a critical part of the reform. Not only that; I believe that constitution needs to look at how the membership - this is a community based organisation, membership is based in the community and it should be the community and the membership who hold the board to account. I haven't looked at that constitution yet in any detail but I think it is a critical element. It should be the community that holds this organisation or its membership that holds the board to account.

CHAIR - Are you able to say how many members there are?

Dr KLUMPP - About 300.

CHAIR - Did those members previously ever say at any board meeting that you are aware of -

Mrs TAYLOR - Did they elect the board, for instance? How did the board arise?

Dr KLUMPP - I don't know how the board arose and I don't know how the board was dissolved..

Mr BEST - Whoever can endure the most pain, I think.

Is there any in kind support that DPIPWE provided in regard to the service contract that you have? For instance, is there office space in buildings or pathology services? Maybe you could give us an outline of what that might be that you provide to the RSPCA.

Dr KLUMPP - We do. We provide some office space, telephone line, computer. We also provide those pathology services for the animal welfare inspectorate.

Mr BOOTH - Is that in addition?

Dr KLUMPP - Yes.

Mr BOOTH - Do you have a value? How do you bring that to account?

Dr KLUMPP - I don't believe it is accounted for.

Mr BOOTH - Crikey.

Mr BEST - Wow.

Mr BOOTH - Have you got an estimate of what that would be worth?

Dr KLUMPP - It wouldn't be a lot. We would have the laboratory service of the department accounted for. That is probably the most substantial one. The other office space -

Mr BOOTH - The office, telephone and computers and stuff would not be cheap. Can you work on a breakdown and give us an approximate value?

Dr KLUMPP - Sure.

Dr KLUMPP - Sorry, that was one of the elements of the service agreement that I saw as lacking but it never happened because of all this stuff.

Mr BOOTH - Right.

Mr BEST - Why is it, then, that DPIPWE, why is it you do not manage the Animal Welfare Act internally in a similar fashion that say Parks and Wildlife rangers are employed?

Dr KLUMPP - For all of those things I mentioned before and the leveraging of that service. If we get a greater return on investment through having an organisation with all of those facilities, which they would have in any case, and they are using those facilities.

Mr BEST - You have put a value on that leverage, then, because I am still yet to see - I hear what you say but I just wonder what its true worth is other than what we think it might be - and now we are hearing also that there are these other arrangements that we are paying for that are not even being costed in.

Dr KLUMPP - We have actually done a broad costing.

Mr BEST - Okay.

Dr KLUMPP - For those various options.

Mrs TAYLOR - It is hugely expensive to set up a unit yourself and run it. If you have somebody who is doing it and can provide the service -

Mr BEST - We do with Parks and Wildlife though, don't we?

Dr KLUMPP - 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.

Mr BEST - You could still have volunteers, and I am sorry if I am talking over the top a bit, but you have volunteers with Parks and Wildlife. No doubt there would be people who would donate on occasions. I just wonder why we are fixed to a structure that essentially appears not to have worked.

Dr KLUMPP - We are not fixed to that structure. We are clearly exploring these options.

Mr BEST - Do not take me the wrong way, I am not going too hard on you.

Dr KLUMPP - No, no, go for it.

Mr BEST - I am still trying to work out the end result here. Minister Green in 2012 stated in parliament and Mr Booth has been questioning that RSPCA Australia was going to take over the management of the contract with DPIPWE.

Dr KLUMPP - No, they have not made an offer.

Mr BEST - I beg your pardon? That was announced in parliament though by the minister, wasn't it?

Dr KLUMPP - That they were going to look.

Mrs TAYLOR - They were looking.

Dr KLUMPP - They were looking.

Mr BEST - I thought the minister announced that in 2012 that -

Dr KLUMPP - No. We are looking at it.

Mr BEST - An agreement had been made. No?

Dr KLUMPP - No.

Mr EVANS - An offer has been made.

Dr KLUMPP - An offer has been made.

Mr BEST - An offer had been made?

Dr KLUMPP - We are looking at the options.

Mr BEST - Oh, okay.

Dr KLUMPP - The RSPCA Australia option is in the order of \$850 000. That is what they have costed to provide the service. RSPCA Tasmania, under ideal conditions, understanding that they have the infrastructure, not only volunteers but the buildings and the land to look after these animals -

Mr BEST - There is no tender process, is there, because of that or who else could do it?

Mrs TAYLOR - There is not anybody else.

Mr BEST - I beg your pardon?

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 government is for DPIPW 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.

CHAIR - Time is starting to creep on. Probably just one wrap-up question for each member if needs be and then we will call it a day.

Mr BOOTH - I would like to go back to the question I asked before and it came to my mind, Lloyd, that you would deal on a daily basis with the RSPCA, but Kim, you would not be involved generally as Deputy Secretary, in any of these meetings, would you? I mean, it is something that probably -

Mr EVANS - No, I have not personally been involved in dealings with the RSPCA.

Mr BOOTH - Have you been involved in communication with the minister with regard to funding the RSPCA?

Mr EVANS - Not personally, no.

Mr BOOTH - Has anyone to your knowledge other than Lloyd been involved? Has there been any -

Mr EVANS - I think John Whittington may have been involved at various points.

Mr BOOTH - Who would actually have been the interface between the RSPCA and the minister, if you like? Not you, but you say John Whittington and if the minister wanted something done with the RSPCA would he go to John Whittington and John Whittington would go to the CEO or -?

Mr EVANS - He would go directly to Lloyd.

Dr KLUMPP - Yes, he'd come to me.

Mr BOOTH - The minister or John Whittington would?

Dr KLUMPP - I think the minister would. It depends what the issue is about.

Mr EVANS - Lloyd reports to John in the organisation.

Mr BOOTH - Right. So, just for clarity, you haven't been approached, Kim?

Mr EVANS - Not by the minister. I haven't had any discussions with the minister directly about the RSPCA at all.

Mr BOOTH - And no other member of parliament?

Mr EVANS - No. I haven't had any discussions.

Mr BOOTH - Thank you.

Mr GUTWEIN - I am right at this stage, I think.

Mrs TAYLOR - I suppose it is the next step that interests me more than anything. You are looking at options for what to do; is there a new board set up for the RSPCA?

Dr KLUMPP - That is the next step. I am going to organise a meeting with the new board.

Mrs TAYLOR - Good.

Dr KLUMPP - The chairman, Paul Swiatkowski, has sent me CVs of the three new board members. They haven't been elected by the membership yet so they are not officially board members as far as I know.

Mrs TAYLOR - I was going to say, you have seen the new constitution.

Dr KLUMPP - It is a public document now; it is on their website.

Mrs TAYLOR - I am interested as to how the new board was selected, I suppose, on what basis and on what skills – however they did that - because, to me, it seems reasonably obvious that, if there is a good service that can provide the animal inspectorate for the government and that is what you would use, so, as you say, it would be in your interests if the service is vital.

Dr KLUMPP - We should recognise that -

Mrs TAYLOR - I would like to know what is the next step.

Dr KLUMPP - We should recognise the value of the RSPCA and a whole range of other animal services.

Mrs TAYLOR - Absolutely, yes.

Mr EVANS - They do a good job.

Mrs TAYLOR - They do. They have done a great job but, as you say, we need to ensure they can continue to do that. The next step was?

Dr KLUMPP - The next step was to meet with the chairman and the new board. The idea of that is to try to understand the Ruddocks statement and understand the viability of this organisation and get that confidence that the reforms that are being put in place are robust enough for us to have confidence in the long term viability of the organisation. That is the next step.

Mrs TAYLOR - On the ground, operationally, they are still -

Dr KLUMPP - They are still functioning.

Mrs TAYLOR - Functioning and providing the service.

Dr KLUMPP - We have - there is an urgency for this because the service agreement continues until 30 June. We have to renegotiate that service agreement for 1 July so that decision about what model we are going with in terms of the inspectorate needs to be made pretty soon.

Mr BEST - On that, we have the recommendations that are being made by the review panel and you are saying that is the next step forward, just as you have indicated. Do we have all the recommendations? Are they in the file that we have?

Dr KLUMPP - We have a draft. It wasn't the final.

Mr BEST - Okay, I think you said that. Finally -

CHAIR - Can we get a copy of that draft, please?

Dr KLUMPP - Yes.

Mr BEST - Finally, has all of the promised grant money been paid to the RSPCA and is there any future commitment from government to provide further funds to the RSPCA?

Dr KLUMPP - No.

Mr EVANS - Not at the moment.

Mr BEST - So, no future promise but you are saying all of the grant money that has been promised has been delivered at this point. How does that fit with your draft review?

Mrs TAYLOR - But you should take that into account. It is not just grant money; there is also an ongoing -

Dr KLUMPP - Yes, sorry, we have the ongoing service agreement which is being paid monthly.

Mr BEST - When does that finalise? End of financial year?

Dr KLUMPP - End of financial year.

Mr EVANS - That concludes at the end of the financial year and we have yet to renegotiate a new agreement.

Mr BEST - Okay. So we need to work out - anyway, that's something for us to talk about.

CHAIR - Peter?

Mr GUTWEIN - No, I am fine. There is some information we have asked for today and I think once we have that there might be some more questions.

CHAIR - If you were in our position, who do you believe we should be speaking with and in which areas do you believe we should be looking in accordance with our terms of reference?

Dr KLUMPP - I think Ruddocks is an important group.

Mr EVANS - Yes, and presumably you will be talking directly with the RSPCA.

CHAIR - Lloyd and Kim, thank you very much for coming along and spending your lunchtime with us without anything to eat.

Laughter.

THE WITNESSES WITHDREW.