



CEJA TASK FORCE
INVESTIGATION OF ALLEGATIONS OF
DRUG RELATED CORRUPTION

INTERIM REPORT
OF
THE OMBUDSMAN

Report of the Ombudsman
Victoria

May 2003

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Foreword

This report was largely drafted and endorsed by the Ombudsman, Dr Barry Perry, prior to his suffering a stroke on Friday 25 April 2003. I know that he wished to have this interim report tabled in this session of Parliament.

It is now over two years since the police Ethical Standards Department (ESD) first began investigating allegations of corruption in the former Drug Squad. Directly and indirectly, the investigation of those allegations has had major ramifications for the Police Force in general and for drug law enforcement in particular.

There have been a number of reasons, including legal and investigative considerations, which have precluded discussion of some of these issues until now. There remain many issues which cannot be discussed. However, Dr Perry believed that it was an opportune time to report on those matters which can be discussed publicly.

Recent developments in the investigation are outlined in the Appendices to the Report.

R G Seamer
ACTING OMBUDSMAN

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1 INTRODUCTION

On Sunday 29 July 2001 over 50 investigators from the Police Ethical Standards Department (ESD) were involved in the arrest phases of Operation HEMI – a covert investigation into allegations of corruption involving a serving and former member of Drug Squad, which had commenced some six months earlier.

On that day, Detective Sergeant Rosenes of the former Drug Squad and 4 other offenders were arrested for allegedly trafficking in commercial quantities of a drug of dependence. Over 50,000 ecstasy tablets were seized.

Subsequently, former Detective Senior Constable Paton, who had resigned as a member of the Drug Squad on 22 March 2001, was also charged as a result of the investigations conducted under Operation HEMI with trafficking commercial quantities of a drug of dependence. These charges resulted primarily from the misuse of the former Drug Squad's so-called Chemical Diversion Program.

On 2nd August 2001, the Corporate Management Review Division Project Group (CMRDPG) of Victoria Police commenced a comprehensive review of the Drug Squad. The review's terms of reference and methodology were developed in close consultation with my office.

The review, which was headed by Detective Superintendent Terry Purton, identified a substantial number of issues in the management, accountability, structure, and administrative processes of the Drug Squad. In its report of 28 November 2001, the review team made some 144 recommendations including the establishment of a Task Force to comprehensively and thoroughly investigate allegations of corruption and improper conduct.

The Task Force (CEJA) set up for that purpose has since been expanded. I am confident the results of the operation will be revealed over the course of the next 12 months. However, there will continue to be a considerable tension between the public's right to know and the need to preserve the integrity of the investigation. There is still a need for many aspects of the investigation to proceed covertly and it is important that facts are not revealed which may compromise the on-going investigation and current and future prosecutions.

Therefore this report is very much limited in terms of investigative detail and strategy. Rather, I have concentrated in this report on the issues identified by Superintendent Purton and his Review team in their report, *Review of the Victoria Police Drug Squad – August/September 2001*.

I have also provided some of my own thoughts on the issues raised and, in particular, my belief that further consideration needs to be given to the fundamental question of an appropriate drug law enforcement model in Victoria.

2 DRUG SQUAD - BACKGROUND

2.1 History of Former Drug Squad

The Drug Squad was originally formed in 1952 as part of the then Russell Street CIB. The objectives of the Drug Squad were to deal with the trafficking of opium and the trade in illicit pharmaceutical products.

In 1964 the Drug Squad was afforded an independent status following the criminalisation of cannabis in 1963.

In 1995, the Drug Squad was re-located from the Russell Street Police Complex to the 12th Floor of the 412 St Kilda Road Police Complex.

In early 2002 the Drug Squad was disbanded and reformed as the Major Drug Investigation Division under the direct control of Detective Superintendent Tony Biggin. References in this report to the “Drug Squad” are to the former Drug Squad and not to the new Major Drug Investigation Division (MDID).

2.2 Objectives of the Drug Squad

- To conduct high-level investigations into groups and persons involved in large-scale drug distribution;
- To target recidivist drug offenders;
- To attend and provide expert investigation assistance in investigations involving clandestine drug producing laboratories.

2.3 Drug Squad Structure (Pre - 2002)

The Drug Squad structure prior to 2002 consisted of three operational units. Each Unit had approximately 20 members including an analyst and Tactical Intelligence Officer (TIO). A Detective Inspector headed each unit.

The units were allocated the following functions:

- Units 1 and 3 – primarily responsible for the investigation of major heroin trafficking;
- Unit 2- primarily responsible for the investigation of manufacturers of illicit drugs and amphetamine traffickers;
- In addition each unit had a secondary function of investigating traffickers of cocaine, ecstasy, LSD, cannabis and other illicit drugs.
- The Drug Squad also coordinated all regional major drug investigations, supported Local Priority Policing with covert operations support and advice, provided presentations both within and external to the Police Force and developed partnerships with outside agencies

2.4 Management and Supervision of the Drug Squad

Up until 1985 there was a Chief Inspector designated as the Officer in Charge of the Drug Squad.

In 1985 the State Government approved an increase in overall staffing levels of the Drug Squad to 199 members including surveillance and ancillary staff. Accompanying this increase, a dedicated Detective Superintendent was appointed as Officer in Charge. In 1995 the position was down graded to that of a Detective Chief Inspector.

However, in 1999, following a restructure of the Crime Department, the overall responsibility for the management of the Drug Squad was placed with the Superintendent of No 4 Division of the Crime Department who was also responsible for the Asian Squad and the Armed Offenders Squad. Day to day control of the approximately 70 strong Squad (as at September 2001) was left in the hands of the three Detective Inspectors managing each Drug Unit.

Given that the Drug Squad is probably the most “high risk” area of policing requiring management and leadership of the highest order, this decision was undoubtedly one of the contributing factors in the problems leading to current enquiries. However, in many respects it seems to me that it was merely symptomatic of the downgrading of the Drug Squad from an “elite” squad to one which has been beset by many problems over the last few years- some of the more serious being outlined below.

3 PREVIOUS INCIDENTS INVOLVING DRUG SQUAD

During the past decade a number of major corruption investigations have been undertaken into allegations of corrupt/criminal behaviour of members of the Drug Squad. Some of these included:

- October 1991 - the alleged theft of 1.3 kilograms of methylamphetamine from a locked and alarmed storeroom located at the Drug Squad’s then office in the Russell Street Police Complex.

As a result of this investigation disciplinary action was taken against a number of members in relation to poor management and procedural deficiencies that may have contributed to the theft.

- June 1992 – the theft of drugs and pre-cursor chemicals from the Attwood Storage Facility.

This theft was revealed during the trial of two offenders who requested an independent re-analysis of the alleged drug exhibits. Upon analysis it was established that the drugs had been substituted. The investigation identified significant corruption. The exact circumstances of the thefts could not be established, as the management procedures at the Attwood Facility were non-existent.

It was revealed that there was no audit trail, the keys were left in an unlocked drawer at the Drug Squad office, no inspections were ever undertaken and on one occasion a plumber was left alone at the complex by an unidentified Police member and then asked to lock up after he had completed his work.

- August 1996 – Allegations of further thefts of chemicals from the Attwood Storage Facility.

The “Guardsman Taskforce” was established by the Ethical Standards Department to investigate these allegations. Investigation revealed a corrupt association between ex-Detective Senior Constable Kevin Hicks and a drug trafficking syndicate. Detective Senior Constable Hicks was responsible for the Attwood Storage Facility. Detective Senior Constable Hicks was alleged to have supplied members of the drug syndicate with drugs and to have staged a fake drug raid with the purpose of providing pre-cursor chemicals for the illegal manufacture of methylamphetamine. Hicks subsequently pleaded guilty to burglary, bribery and drug trafficking charges. He was sentenced to 6 years imprisonment with a minimum sentence of 4.5 years to serve.

- December 1996/January 1997 – Burglary and theft of documents and tapes relating to “Operation Phalanx” from the Drug Squad Office at Level 12, 412 St Kilda Road. Operation Phalanx was a major drug investigation targeting some of Victoria’s highest-level amphetamine manufacturers. Despite the establishment of Taskforce Sentinel, the identity of the person(s) responsible for the burglary and theft has not been established to date.
- October 1999 – Police firearm missing from safe at Drug Squad. Between the 1st July 1999 and the 20 October 1999 a Beretta 9mm pistol was stolen from a four drawer safe in an office occupied by Detective Inspector Reid at the Drug Squad, level 12, 412 St. Kilda Road, Melbourne. Inspector Reid was then in charge of Unit 2 of the Drug Squad and responsible for the management of the Chemical Purchase Program. The stolen pistol was one of four covert firearms kept in the bottom drawer of the safe. Detective Inspector Reid was subsequently charged and convicted of discipline offences relating to the matter. Inspector Reid subsequently located the missing pistol in his office on 31 July 2000. He has since resigned.

4. CHEMICAL DIVERSION DESK

Perhaps the major cause of the corruption disclosed to date, has been the lack of adequate administrative responsibility and accountability in the operation of what the Drug Squad titled its “*Chemical Diversion Desk*”(CDD) operated by Unit 2 of the Squad. Ex-Detective Senior Constable Paton, who has been charged with various offences, was assigned to the Chemical Diversion Desk for virtually the whole of his service at the Drug Squad from March 1997 until his resignation. Detective Sergeant Rosenes who has also been charged, also worked (together with Paton for 6 months) on the CDD.

The CDD was established in 1995 by then Detective Sergeant Strawhorn (who is now also facing serious drug charges) of the Drug Squad following an overseas study tour. Its function (although there was never any policy document or formal approval of its operation) was to liaise with chemical companies, allied industries, internal/external service providers and interstate law enforcement agencies to prevent, disrupt and identify suspects engaged in illicit drug manufacturing.

In the absence of the type of legislation that exists in New South Wales and South Australia to regulate the use and access of precursor chemicals, the Drug Squad/CDD developed a voluntary industry Code of Conduct. It must be commended for this proactive initiative which was designed to restrict the availability of pre-cursor chemicals to criminals.

However, the adoption in 1991/92 of the practice of *Controlled Chemical Deliveries* and its subsequent use (as outlined later in this report- for many years without authority and on many occasions in direct contravention of instructions) has proved to be an unmitigated and foreseeable disaster.

Controlled chemical deliveries (CCDs) involve the sale of commercially available pre-cursor chemicals by police to criminals involved in the manufacture of illicit drugs. The rationale for the adoption of this practice is that once the chemicals have been supplied to the criminals, police can then *monitor* the activities of the recipients of the chemicals in the manufacture of illicit drugs, and identify other persons who then traffic the illicit drugs.

The controlled chemical delivery practice was expanded by the Drug Squad from the provision of precursor chemicals by police to criminals to include the selling of trafficable quantities of pseudoephedrine, sold in commercial form as “*Sudafed*” and “*Logicin*” tablets.

Because of the lack of proper accounts and record keeping and the disappearance of records, the details of many transactions will never be known. However, the scale and complexity of many of the transactions uncovered is beyond belief. In the course of these transactions, the Drug Squad accumulated substantial profits. Some of these profits were “reinvested” and did not always yield an “official” return but as at August 2001, the balance of the chemical purchase account stood at \$267,137.00.

More disturbing is the fact that there seems to have been no accountability to the courts. For these and other reasons, which I will explain later in this report (see Section 8), I believe that the practice of so-called “controlled chemical deliveries” should never be revived.

5 OPERATION HEMI

5.1 Operation HEMI was the codename given to the Corruption Investigation Division’s 2000/2001 investigation into allegations of corrupt behaviour by members, in particular, ex-Detective Senior Constable Steven Paton and Detective Sergeant Malcolm Rosenes.

Because of current and pending legal proceedings, I am only able to provide very limited details of this remarkable and very successful Operation at this stage. I will report in more detail on this Operation in my final report. Suffice to say here that it was Operation HEMI, which resulted in the review of the Drug Squad and its replacement by the Major Drug Investigation Division and the ongoing CEJA Taskforce investigation.

5.2 December 2000 - Disclosure of Unauthorized Chemical Purchases - Ex-Detective Senior Constable Steven Paton

In December 2000, certain information was received by the Ethical Standards Department concerning the Chemical Diversion Desk's transactions. Some media reports of the circumstances of the provision of this information to ESD have been somewhat self-serving and a more accurate account, particularly in relation to Detective Senior Sergeant Strawhorn's role, is provided in Appendix "A".

The Corruption Investigation Division (CID 3) of the Victoria Police Ethical Standards Department (ESD) commenced an investigation into the activities of Detective Senior Constable Paton at the Chemical Diversion Desk (CCD).

Enquiries established that part of Paton's duties included ongoing liaison with chemical companies and the co-ordination of authorized purchases of chemicals, drugs and other paraphernalia, commonly used in the manufacture of amphetamines. These pre-cursor chemicals were to be utilized in controlled deliveries during covert Drug Squad investigations.

Any controlled deliveries made by undercover police operatives, or registered informers, required authorization by a commissioned officer, and were conducted under the statutory indemnity afforded by S 51 of the Drugs Poisons and Controlled Substances Act.

The investigation, codenamed Operation HEMI, initially focused on the alleged unauthorized purchase of approximately 500,000 *Sudafed* tablets estimated to be worth more than \$1 million on the black market.

Shortly after the commencement of the investigation, it was established that Paton had allegedly made numerous other unauthorized purchase of chemicals used in the manufacture of amphetamine from a number of companies. These purchases included a large quantity of Psuedoephedrine (Schedule 11 drug) and other chemicals.

It was established that Paton had formed his own chemical company known as "PAS Chemicals" in order to make the unauthorized purchase of chemicals. Paton explained that PAS Chemicals was established for the purpose of conducting operations against corrupt police officers, hence the difference in procedures he adopted for the purchases. Patons' direct superior, Detective Sergeant Rosenes, was involved in the formation of "PAS Chemicals".

Following further investigation, including covert, Paton was arrested and charged with various offences in July 2001.

This highly successful operation also resulted in the separate arrest in July 2001 of Detective Sergeant Rosenes. Ex-Detective Senior Constable Paton is currently on bail awaiting trial/plea.

5.3 Detective Sergeant Malcolm Rosenes

During August 2000, ex-Detective Senior Constable Paton charged a person with serious drug offences. He subsequently registered this person as an informer. The registered informer provided valuable information and assistance, which led to a major Drug Squad investigation into commercial drug trafficking, and importation, by a well-established and organized criminal syndicate.

Detective Sergeant Rosenes was, in turn, Paton's controller; that is, he was the member responsible for the close supervision and debriefing of Paton in relation to Paton's dealings with the informer.

The informer provided significant assistance to the Drug Squad, including participation in the control, purchase and delivery of drugs and other substances under the protection of a Section 51 indemnity. However, because of concerns about aspects of his involvement with Paton and Rosenes, he was introduced to members of the Corruption Investigation Division (CID3). When interviewed by members of CID3, the informer provided extensive details of his involvement with the Drug Squad including alleged criminal activity by both Paton and Rosenes. Some of this alleged criminal activity involved another informer.

During July 2001, at the direction of the Corruption Investigation Division, the informer met with Rosenes. During these recorded meetings Rosenes allegedly indicated that he was able to obtain 500,000 Ecstasy tablets from the second informer and offered to sell them to the informer. Rosenes allegedly stated that the ecstasy tablets were imported into Australia by a group of Israeli criminals, one of whom had possession of the drugs at a location in Melbourne.

An arrest scenario was subsequently devised which resulted in the arrests of Detective Sergeant Rosenes and a number of civilian offenders who were subsequently charged with various drug related offences, including trafficking in drugs of dependency and conspiracy to traffic in drugs of dependence. Ecstasy tablets seized by Ethical Standards Department investigators were alone estimated to have had a \$4 million street value. Detective Sergeant Rosenes is on bail pending trial/plea.

6 DRUG SQUAD REVIEW (THE PURTON REPORT)

On 2 August 2001 (only 2 days after the completion of the arrest phase of Operation Hemi) the Corporate Management Review Division Project Group (CMRDPG), commenced a comprehensive review of the former Drug Squad. The review, terms of reference and methodology were developed in consultation with Brian Hardiman, Senior Assistant Ombudsman (Police Complaints) and myself.

The review, which was headed by Detective Superintendent Terry Purton, identified a substantial number of issues in the management, accountability, structure, and administrative processes of the Drug Squad.

The review was not tasked to investigate corrupt behaviour. Rather, it was always the intention that any potential criminal or discipline issues identified by the review would be referred to a separate “task force” for investigation.

6.1 Terms of Reference

The terms of reference for the review of the Drug Squad were:

1. Examine the most appropriate drug law enforcement model, having regard to:
 - Current State and Federal legislation.
 - Community expectation and the social and legal framework for dealing with drug related problems.
 - The national and international environment within which Victoria Police drug enforcement operates.
 - The extent to which other areas of Victoria Police are and should be involved in drug enforcement activity.
2. Identify ‘best practice’ for high-risk areas in the Drug Squad and the Force generally, including examination of issues such as:
 - Informer and witness management.
 - The conduct of covert drug operations, including buy/bust scenarios.
 - Recruitment training and resourcing for high-risk areas.
 - Maintaining and improving morale and integrity.
3. Examine the external and internal management of the Drug Squad and identify any matters that contributed to the failure of existing controls with a view to making appropriate recommendations for the future management of drug law enforcement activities, whether these are conducted by the Drug Squad, drug related task forces or by other areas of the Force to which drug law enforcement functions might be devolved.
4. Examine the operating procedures, policies and practices at the Drug Squad and selected other areas of the Force to identify those areas at risk of corrupt activities and to assess the efficacy of existing controls.
5. Identify existing controls and provide options for enhancing risk controls in the light of recent instances of known corruption including:
 - The need for an ongoing mechanism for identifying and minimising risks.

- Means of identifying possible early warnings of corruption such as failed prosecutions, exposure of surveillance, failed operations, possible security breaches and sudden or unexplained changes in members' personal or financial situations.
 - The need for more effective controls in areas of high-risk, for example, drug diversion.
6. Provide recommendations that include timetables for implementation and allocation of responsibility for changes considered necessary.

6.2 Key Recommendations

In its report of 28 November 2001, the review team made some 144 recommendations. Some of the key recommendations of the review, many of which have already been adopted, include:

- Endorsement of the ESD recommendation for the establishment of a special 10 member task force (Operation CEJA) to probe allegations of corruption by members and former members of the Drug Squad.
- The replacement of the Drug Squad by a Major Drug Investigation Division.
- An enhanced selection process for drug investigators.
- Introduction of maximum of 5 years continuous tenure in the Major Drug Investigation Division.
- Introduction of psychological, drug and alcohol testing of members working in the Major Drug Investigation Division.
- Improved management, auditing and accountability practices;
- The immediate suspension of the Controlled Chemical Deliveries program and the review of the program as a strategy to combat drug manufacturing and trafficking.
- Introduction of new legislation to enable the timely disposal of seized drugs.
- The adoption of a new Informer Management System with audit and compliance safety mechanisms for greater accountability.
- The introduction of tamper proof exhibit bags for drug storage.

6.3 Issues For Further Consideration

On 5 December 2001, I wrote to the Deputy Commissioner (Policy and Standards) commending Superintendent Purton and his Review Team for their considerable efforts in producing their very detailed report in such a short time. I endorsed most of the recommendations made but at the same time raised some issues for further consideration.

I do not intend in this report to canvass all of the issues raised by the Review Team, many of which relate to internal operational and procedural issues.

However, I have raised some issues below which I believe are of general community concern and raise serious issues of accountability. I should emphasize that my views are not a criticism of the Review Teams' work. Rather they indicate the value of the report for further reflection on the very important issues identified.

7 AN APPROPRIATE DRUG LAW ENFORCEMENT MODEL

Many of the Review Team's recommendations are predicated on acceptance of the continuance of a dedicated drug enforcement unit in Victoria. Although, this model has been adopted in re-constituting the former Drug squad as the Major Drug Investigation Division, it seems to me that further consideration needs to be given to this fundamental question.

Firstly, it seems to me that further consideration should be given to more closely aligning drug law enforcement in Victoria with the concept of a National Drug Enforcement Agency.

Secondly, I believe that there needs to be a detailed analysis of the nature and value of the work done in drug law enforcement outside the Major Drug Investigation Division. Such analysis should focus, not simply on the number of arrests and quantity of drugs seized, but also on the quality of the arrests (ie the status of the offender's position in the drug supply chain), the value of intelligence provided, reliability of informers cultivated and such issues as the deterrent effect and harm minimization benefits of different styles of policing, for example, long term surveillance operations compared to immediate arrests of street level dealers.

This is not to say that the Major Drug Investigation Division does not have a crucial role to play and the Review Team clearly recognized the need to achieve a balance in relation to its role. However, it is quite clear that far from adopting an "overall harm minimisation strategy", the former Drug Squad in the past few years has put a large quantity of chemicals into the hands of manufacturers of illicit drugs without adequate controls and with a lack of accountability. In particular, the practice of supplying informers with chemicals without any significant controls, may have resulted in the Drug Squad creating an elite group of drug manufacturers and suppliers who may not have been so involved had it not been for the opportunity provided by police.

It is clear, that some form of centralised control of drug law enforcement is necessary in Victoria but I believe further consideration needs to be given to the nature of that role. For example, the Review Team concluded that "*The Drug Squad focuses on larger scale drug traffickers, manufacturers and cross jurisdictional issues. This role is beyond the scope of Regional Response Units, Criminal Investigation Units and units on patrol.*" It seems to me that before this proposition is accepted, there needs to be an analysis of the comparative achievements of local units and the Drug Squad with regard not only to quantities of drugs seized and the number of arrests made but also the significance in the drug chain of those arrested and convicted as well as the proactive or deterrent effects of local policing versus covert operations.

Further, given the extent to which drugs play a role in other criminal activities, local police would have considerable local knowledge which should be harnessed for drug intelligence purposes. In this regard, it seems to me that the application of intelligence led policing methods is more likely to be successful with greater, rather than less, involvement by local units.

In short, I believe that one option would be for the adoption of a drug law enforcement model, which focused more on intelligence, supervision and co-ordination of drug enforcement activities. Direct involvement might then be limited largely to the support of local units combined with selective large scale operations and co-ordination with Federal and interstate authorities.

This approach would be consistent with recommendations made by the Review Team for centralized resourcing of such functions as the management of informers and Force wide co-ordination of property management. The Team identifies a number of problems relating to co-ordination, training and resourcing. There is more than one suggestion that problems experienced by the former Drug Squad in obtaining sufficient surveillance and undercover support led to the use of informers in so called controlled chemical deliveries and, indeed, as a reason for adopting the strategy of controlled chemical deliveries in the first place.

But if intelligence led policing is to be effective, the resourcing and roles of these centralized bodies need to be carefully evaluated. Of course, whilst my comments are directed specifically at drug law enforcement, many of them undoubtedly apply to other areas of the Crime Department.

These are, of course, matters essentially for police and the government rather than for me.

8 CONTROLLED CHEMICAL DELIVERIES

8.1 The Law Enforcement View

Controlled chemical deliveries (CCDs) involve the sale of commercially available pre-cursor chemicals by police to criminals involved in the manufacture of illicit drugs. The rationale for the adoption of this practice is that once the chemicals have been supplied to the criminals the police can then *monitor* the activities of the recipients of the chemicals in the manufacture of illicit drugs, and identify other persons who then traffic the illicit drugs.

However, there are major difficulties in estimating the amount of illicit drugs and/or monetary return which should be derived from any given amount of supplied chemicals (or as supplied by the former Drug Squad, pseudoephedrine in the form of large quantities of “*Sudafed*” and “*Logicin*” tablets).

The practice is one that has been examined in depth and largely rejected as an absolute “last resort” by the majority of law enforcement agencies both in Australia and internationally.

For example, in the past three years, the New South Wales police have only conducted two or three chemical control deliveries and these related to a joint operation with the Victoria Police Drug Squad. New South Wales police advised that in their opinion the practice of utilizing controlled chemical deliveries and the risks involved are considered to be unacceptable. Similarly South Australian police have conducted only six controlled chemical deliveries since 1997.

In summary, the accepted law enforcement view is that controlled chemical deliveries are a dangerous methodology and are to be used very sparingly, if at all.

8.2 History of Controlled Chemical Deliveries in Victoria

Based on the scant information available, it seems that the first use of a CCD in Victoria was in 1991 during Operation Chances that led to the establishment of the Clandestine Laboratory Unit in 1992.

A proposal was submitted by the Drug Squad to commence CCD's in 1992. The submission included legal advice to police based on discussion by police with the police Legal Adviser's office and the Office of the Director of Public Prosecutions to the effect that there was no apparent legal bar to the proposal.

Notwithstanding this advice, senior police management rejected the proposal. However, following the transfer of certain senior police personnel, the practice of controlled chemical deliveries was instituted without authority.

However, later on the 23rd March 1996, Chief Inspector McKoy forwarded a report to Detective Inspector Cooney, Officer In Charge, Unit 2, Drug Squad directing chemical deliveries to stop as of that date. Paragraph 3 of the report states;

“Advice from yourself (Cooney) and Sergeant Strawhorn regarding the “business” he is running is disturbing for the following reasons:

- *The number of transactions being undertaken without the resources to fully monitor their destinations.*
- *The probability Sergeant Strawhorn will be identified by criminals and the associated danger to him.*
- *The ensuing problems associated with the profits made in these transactions and the eventual reconciliation of the monies.*
- *The probability of adverse publicity from the Courts and the media at some time in the future.*
- *The lack of success in locating amphetamine laboratories when balanced against the quantity of and number of chemicals delivered”.*

On the 15th of May 1996, Detective Sergeant Strawhorn submitted a report in response which included the following:

“The primary concern to investigators is the shift in managerial attitudes towards controlled chemical deliveries by covert operatives and informers.

It seems that in the past few months there has been a complete reversal by management to controlled deliveries and current instructions that there will not be any such deliveries under any circumstances.

This instruction is having a devastating impact on a number of current investigations, which will greatly impact on future investigations.”

These documents imply clear knowledge by senior management that the practice was in usage, despite direction to the contrary.

The direction to cease controlled chemical deliveries met with resistance and it appears that Detective Sergeant Strawhorn was able to persuade Chief Inspector McKoy to rescind the direction and the practice continued.

In either late 1995 or early 1996, according to Detective Sergeant Strawhorn, a major shift occurred in the process for the illicit manufacture of amphetamine. Criminals began extracting pseudoephedrine from commercially available cough/cold tablets, such as “Sudafed” and “Logicin”. The Drug Squad shifted their operations accordingly and commenced to sell commercial trafficable quantities of pseudoephedrine in the form of “Sudafed” and “Logicin” tablets.

8.3 Profits, Loss and Tainted Property

Although the practice of controlled chemical deliveries had been in existence since 1992, financial records prior to September 1996 are virtually non-existent.

A Cash Book was established from the proceeds of a “conventional” drug buy operation in September 1996. This book then formed the basis for recording profits derived from controlled chemical transactions. Of the 123 entries in the book, ninety-seven appear to refer to transactions related to controlled chemical deliveries with the remainder related to drug buys or comprising duplicate entries.

The absence of any accountability by way of documentation for the period 1992-1996 as previously mentioned is further exacerbated by the fact that key documentation relating to controlled chemical deliveries prior to February 1999 is missing. It was conceded by the Corporate Management Review Division, which conducted a full audit of the controlled chemical delivery financial account, that it was probable that the poor financial management of chemical controlled deliveries within the Victoria Police Drug Squad may have facilitated opportunities for improper practices to have taken place.

It was further established that the Victoria Police have accumulated substantial profit from the practice of controlled chemical deliveries. As at 14 August 2001 the balance of the chemical purchase account stood at \$267,137.00.

Contrary to the advice from one senior police member of the Drug Squad to the effect that profits had been accessed on only one occasion, the Review established that twenty-one separate withdrawals totalling \$50,386.35 were made. These withdrawals related to thirteen different drug operations.

Advice from the Assets Confiscation Office and the Office of the Director of Public Prosecutions, has confirmed that the profits amassed as a result of the Victorian Police utilizing the practice of controlled chemical deliveries, come within the definition of “*tainted*” property and must therefore be surrendered to the government, in accordance with the provisions of the Confiscation Act. This had not occurred.

In summary, the process has never been approved and was contrary to current Force policy. It is extremely difficult to control CCDs. It has been estimated that 40% to 80% of the chemicals or drugs are not recovered. It is therefore reasonable to assume that the chemicals or drugs not recovered have been converted into amphetamine and illegally sold into the community.

8.4 Lack of Accountability

The lack of appropriate management and accountability, which was prevalent with Controlled Chemical Deliveries reflects the malaise, which has influenced the overall management and supervision of the Drug Squad. The practice, in my opinion, has lacked accountability to an astonishing degree. There has been no accountability for drugs obtained, for drugs sold or for drugs recovered. There has been no accountability for monies received or paid. Also, because of the use of criminal informers, there has been little control exercised by the Drug Squad in the sale and disposal of the drugs.

Finally, perhaps most disturbing of all, there appears to have been no accountability to the courts. As I understand it, crown prosecutors had adopted the position that, unless the practice was relevant to a particular prosecution, the practice was best left untold.

8.5 Preconditions to any Resumption of Controlled Chemical Deliveries

If Police Command were inclined to revive the practice, I believe that a careful analysis should first be made of the results of this earlier practice, including charges laid, convictions and unsuccessful prosecutions, whether the drugs seized were in fact related to the practice and whether those convicted were major drug manufacturers or simply minnows and opportunists who grasped the opportunity to obtain the drugs which were on offer by police. Without such an analysis, I believe that the practice of controlled chemical deliveries should not be revived.

If, however, it is determined that such a practice has been successful and beneficial in the past and that it should be used more discerningly in the future, it seems to me that very clear guidelines need to be set about when such a practice is to be used, including a clear prohibition on the use of police informers in the process.

Furthermore, the detailed controls recommended in the Report need to be implemented.

Under no circumstances, should the practice be employed without clear accountability and transparency.

9 MANAGEMENT AND SUPERVISION – FORMER DRUG SQUAD/CRIME DEPARTMENT

The activities of the former Drug Squad were subject to a range of general instructions and specific standard operating procedures. Many of the specific procedures were adopted to rectify the deficiencies identified in Drug Squad management and procedures in 1991 following the alleged theft of 1.3 kilograms of methylamphetamine from a locked and alarmed storeroom located at the Drug Squad's then office in the Russell Street Police Complex. The Review identified many examples of almost total disregard for many procedures but I will give in this report, just a few.

The former Drug Squad was required to submit regular written progress reports, including weekly updates for the Intelligence Data Centre, (IDC), and monthly written reports to the OIC Number Four Division State Crime Squads, for the information of the Drug Investigations Targeting Committee (DITC) Chairman. An additional requirement was that a post investigation report was to be submitted at the completion of the investigation.

The practice had developed at the Drug Squad for investigators to provide any reports verbally. It appears that very few, if any, reports were made to the Drug Investigations Targeting Committee but were made to the Crime Department Superintendent responsible for the Drug and other Squads.

It is difficult to imagine how senior management was able to monitor any degree of progress and maintain control over major investigations, whilst relying only upon oral advice. It was another ingredient in the overall recipe for disaster inherent in unmanaged drug investigations.

I was particularly concerned that assurances have been given, in the past, by senior Crime Department management that all processes from a management point of view were in place to ensure proper supervision and accountability of the Squad. Yet the 2001 Review revealed that it had taken over three and a half years to implement the 1991 recommendations. The Review commented that, "*It is reasonable to conclude that the environment that existed in the Drug Squad at that time, assisted Detective Senior Constable Hicks with his corrupt activities.*" I have no doubt of this but what concerns me is that my Office, on a number of occasions during the same period, requested that Hicks and another member be proactively targeted. Again assurances were given and appear to have been ignored.

Clearly this reflects adversely on the complaints system. As a result, steps are to be taken to incorporate the Ethical Standards Department in the Risk Identification and Efficiency Rectification process, which was recommended by the Review Team.

Arrangements have been made to ensure that recommendations made by ESD or my Office are followed up and subsequently implemented.

The links between poor managerial/administrative practices and corruption at the Drug Squad are clearly demonstrated by the Review. However, I was particularly concerned by the revelation that internal auditing of the Drug Squad was obstructed by alleged “security concerns”.

It seems to me that this obstruction of access to relevant documents may have prevented earlier detection of the obvious lack of accountability in respect to the monies paid and received from controlled chemical deliveries. Indeed, even with such impediments being placed in the way of the internal auditors, I remain surprised that this total lack of accountability was not discovered until the 2001 review conducted by the Review Team.

I was even more surprised, to say the least, that follow up action was not taken by the auditors and I recommended that this issue be pursued further with the internal auditors.

I endorsed the Review’s severe criticism of management in the Crime Department for allowing impediments to be placed in the way of the internal auditors. Management action has since been taken in relation to the members involved.

10 INFORMER MANAGEMENT

The use of criminal informers has been a recognised and valuable investigative tool of all police agencies throughout the world for many years. However, inadequate informer management has created some of the most serious allegations this Office and police have dealt with over the years.

Unfortunately, the former Drug Squad has used unstructured, secretive, unaccountable and sometimes unprofessional methods in handling informers. As I have discussed earlier in respect to controlled chemical deliveries, members have not been appropriately supervised and the practice has lacked accountability. Similarly there has been little, if any, control over informers. Detective Sergeant Rosenes and ex-members Paton and Hicks, all formed corrupt associations with informers.

At the present time the Victoria Police currently has two policies that relate to the use of informers. The Crime Department has its own policy, whilst other areas of the Force are bound by policy contained in operating procedures. Both sets of policies are currently under review by Victoria Police.

The Crime Department policy is similar to the New South Wales Informer Management Policy, however the New South Wales audit and compliance components have not been included. The Review recommended that the Crime Department policy should be the subject of amendment to reflect the New South Wales audit and compliance requirements, and once revised, that the Crime Department Informer Policy should be implemented as a model throughout Victoria Police.

Both New South Wales and South Australia have Informer Management Units. In New South Wales this unit manages the process, however, in the South Australian model, the unit also manages a small number of informers. The Review recommended the establishment of such an Informer Management Unit within the Victoria Police.

In Victoria, payments to informers are approved at regional/departmental level. Both New South Wales and South Australia have centralized reward and or payment committees. The committees ensure standardization of payments and minimize the risk of corruption. The Review team recommended the establishment of a similar team in Victoria.

The Review identified that the current Victoria system of payments to informers is vulnerable to corruption. In New South Wales payments are made either by bank cheque or direct credit to a bank account nominated by the informer. Cash payments may be provided but they require the informer to provide a fingerprint as a means of identification. The review team recommended that the New South Wales model be introduced into the Victoria police with the additional requirement for all cash payments to be made by a commissioned officer.

I have fully endorsed the recommendations made by the Review Team in relation to improved informer management. But I have also raised with police, my view that all contact with informers should be tape recorded – remotely, if necessary, for safety and/or security reasons. In the latter regard, it seems to me that consideration might be given to legislative amendment to permit remote monitoring and recording of conversations between police and registered informers who would, as a condition for registration, be required to sign or otherwise acknowledge on tape, their awareness that such conversations might be so recorded.

11 WITNESS MANAGEMENT

The Witness Security Unit (WITSEC) of the Protective Security Division (PSD) administers the Witness Protection Program. WITSEC provides protection for witnesses and their families who have given evidence or are about to give evidence for the Crown, or in such circumstances as are defined in the Witness Protection Act 1991. All Police organizations throughout Australia, including the Australian Federal Police (AFP) operate similar WITSEC programs within their respective jurisdictions.

The procedure to have a witness considered for inclusion in the program is that investigating Police forward the appropriate application via their Divisional Superintendent and the Superintendent PSD to the Witness Security Committee. The decision of the Committee in turn is ratified or otherwise by the Deputy Commissioner (Operations) DC (O).

WITSEC then consider the application and interview the prospective witness. A threat assessment is made and then this assessment together with the original WITSEC Application and covering reports are forwarded to the DC (O).

Once approved the witness and Victoria Police enter into a Memorandum of Understanding (MOU) that details the respective obligations of both parties, and sets out the conditions of protection for the witness and/or their family.

Remanded and sentenced prisoners cannot enter the Program in Victoria although occasionally, a Memorandum of Understanding will be entered into setting out conditions for protection on release. These arrangements are rarely entered into because of the difficulty of assessing what, if any, risk may exist to a witness in the future.

11.1 Identified Problems

A number of areas of concern in the running of the Victoria Police WITSEC Program were identified by the Review . Those issues are as follows:

- Selective disclosure of Evidence when the Application for WITSEC status is submitted.
- Informers entering the WITSEC Program.
- Police members contacting Protected Witnesses.

An assessment of the current system in regard to WITSEC found that there was room for improvement in each of the above areas and recommendations were made accordingly.

12 RISK MANAGEMENT

As part of the Review, all former Drug Squad personnel were interviewed. The outstanding clear and present danger, identified by these members was the issue of ***corruption***.

In general the members identified the following as being the main areas of risk:

- Theft.
- Document security (Brief & Information).
- Exposure to wealthy criminals.
- Cash, property handling.
- Money exchange for chemicals.
- Informer Management.
- After hours access to Drug Squad areas by cleaning staff.
- Safety risks at searches.
- Personal security and anonymity when dealing with wealthy criminals.

It is of interest to note that the risk assessment matrix utilized and prepared by the Drug Squad, whilst identifying risk factors that principally related to the members themselves whilst performing drug squad duties, it failed to identify those areas that represent the major strategic risk areas of:

- Informer Management.
- Chemical deliveries.
- Drug purchases.
- Drug sales.

Many of the Drug Squad staff interviewed believed that there were insufficient controls in place to successfully manage these strategic risks. In addition there was overwhelming staff support amongst Drug Squad personnel for the establishment of an “Officer in Charge” position (Superintendent level).

The Review confirmed that the structure of the former Drug Squad did not provide effective management or administrative / financial accountability. The Review recommended restructure and re constitution of the Squad as the Major Drug Investigation Division comprising two operational units headed by a Superintendent.

The establishment of Compliance, Procedures and Administrative Unit (CPAU) was also strongly recommended to provide a balance between operational focus and administrative accountability, whilst also addressing risk management requirements.

Whilst the Review found that risk management would not in itself eliminate all deliberate acts of criminal conduct and corruption it was a valuable tool that would provide a mechanism for the early detection of such conduct, and would provide a less conducive environment in which such activities could “take root and thrive”.

Concurrently with its investigative work, the CEJA Task Force is engaged in an ongoing project to identify the factors that allow corrupt activities to occur and to provide advice to prevent corrupt behaviour within drug investigations.

13 ESTABLISHMENT OF THE CEJA TASK FORCE

It will be recalled that in its report of 28 November 2001, the Review team endorsed the ESD recommendation for the establishment of a special 10-member Task Force to probe allegations of corruption by members and former members of the Drug Squad.

The Chief Commissioner immediately endorsed the establishment of the Task Force to continue and expand on the work of Operation HEMI. Detective Inspector Peter De Santo of the Corruption Investigation Division of ESD, who had been heavily involved in Operation HEMI, was appointed to head the Task Force. The CEJA Task Force effectively commenced operations in February 2002, and comprised approximately 10 members.

The Task Force was requested to provide a report by 30 June 2002.

13.1 CEJA - Terms of Reference

The CEJA Task Force was given the following terms of reference.

- To investigate the unauthorized purchase of chemicals by member(s) of Victoria Police or their delegates via the Victoria Police Drug Squad, Chemical Diversion Desk.
- To investigate the unauthorized delivery or supply of chemicals by Member(s) of the Victoria Police or their delegates via the Victoria Police Drug Squad, Controlled Chemical Deliveries Program.
- To investigate allegations of theft, evidence fabrication and drug use by member(s) of the Victoria Police Drug Squad as assessed in consultation with the Commander and Assistant Commissioner of the Ethical Standards Department.
- To liaise with my Office, and to address issues which I had raised with the Deputy Commissioner (Policy and Standards) by letter dated 5 December 2001.

13.2 Staffing-Police

Ten personnel were seconded to complement existing ESD staff who had been involved with Operation HEMI. Because of the need to employ staff with the utmost integrity and the demands of such an operation, seconded members were “upgraded” whilst at the Task Force. I would expect the dedication of these seconded members in performing what is often an arduous and thankless task to be further recognised in due course.

13.3 Role of Ombudsman

Senior Assistant Ombudsman (Police Complaints) Brian Hardiman and my Investigation Officer, Mr Alan Hicks, have been actively involved in the work of the Task Force.

13.4 Methodology

The Task Force commenced with some 14 specific allegations of corrupt conduct that had not been investigated by Operation HEMI.

Further incidents involving apparent corrupt conduct have since been identified.

In very brief summary, the alleged conduct includes:

- “Greenlighting” of criminal activity by informers.
- Trafficking of drugs.
- Fabrication of evidence.

The goal of the task force has been to identify as many incidents as possible, to investigate them covertly until either eliminating them from further/immediate investigation or bringing the evidence to a “balance of probabilities” stage before proceeding to overt investigation.

The CEJA investigation has major repercussions for past present and future drug related criminal prosecutions. Accordingly, in addition to being expeditious, the investigation must be thorough and comprehensive. Thus, although the taskforce was initially tasked to investigate and report by the end of June 2002, it had become apparent that that would not be possible. Of course, concurrently with new and ongoing enquiries, some members of the taskforce were and continue to be involved in the preparation of criminal cases resulting from Operation HEMI.

The decision was taken for the taskforce to provide to Police Command by 30 June 2002, an Interim Report. This report identified the main targets and contains a comprehensive summary of the intelligence and evidence gathered by the taskforce to 30 June in relation to the various identified incidents of corruption (referred to by CEJA as *Alleged Incidents of Corruption or AIOC's*).

14 EXPANSION OF THE CEJA TASKFORCE

The interim investigation report on the activities of the task force to 30 June 2002 set out a number of options for the future direction of the investigation and appropriate resourcing. As a result, the task force was substantially expanded and upgraded and now comprises some 40 staff.

The task force is headed by an Acting Commander and, in addition to the appointment of more investigative officers, the task force has obtained the services of a dedicated forensic accountant and barrister.

Police Command has established a Steering Committee to monitor the work of the task force and my Office continues to actively oversee the investigation. Senior Assistant Ombudsman (Police Complaints) Brian Hardiman meets at least weekly with the Task Force and my Office is regularly briefed by the Steering Committee.

15 LIAISON WITH MAJOR DRUG INVESTIGATION DIVISION AND OFFICE OF PUBLIC PROSECUTIONS

There has been much media attention given to the impact of the investigation on past, present and future drug related criminal prosecutions. These repercussions have been the subject of a number of discussions and meetings by the task force with the Office of Public Prosecutions. I have also spoken to the Director of Public Prosecutions.

As has also been reported in the media, I have received complaints from members of the Major Drug Investigation Division about the manner in which the task force has carried out its investigation.

After careful and detailed consideration of these complaints, it was my view, that most of these complaints could be characterized as ‘fall-out’ from the collision of important investigations – the work of the Major Drug Investigation Division (MDID) and the work of CEJA - which cover much of the same ground but which have very different origins, interests and purposes.

There is no question that the work of the MDID will involve some uncertainty while CEJA goes about its business. It has already become clear that some former Drug Squad / MDID investigations, which have involved a great deal of time and effort on the part of many members, may potentially be affected by the work of CEJA. It must be understood that this is not the fault of CEJA and it would be illogical to see CEJA as the cause of this problem. It is inevitable that while CEJA continues its work there will be competing interests between MDID members and CEJA.

As I see it, except where the matter clearly involves a question of ‘serious misconduct’ within the meaning of Part 4A of the Police Regulation Act, the management of this difficult situation and, where possible, the resolution of these tensions, is a management issue and is very clearly a matter for the Force and not for the Ombudsman. The good management of the MDID and of CEJA in these complex circumstances requires good communication and problem solving mechanisms. To this end, a protocol has been established whereby tensions and issues involving the work of CEJA and its impact on the MDID may be resolved in a forum involving Superintendent Biggin of the MDID, Acting Commander Moloney of CEJA, and the Assistant Commissioners for Crime and Ethical Standards.

To date, most problems have been successfully overcome and it speaks volumes for the professionalism of both MDID and CEJA members that this has occurred in such a high-stake environment.

16 TIMELINES

The overriding concern in this investigation is that in addition to it being expeditious, it must be thorough and comprehensive.

The CEJA investigation revolves around a number of serious cases.

Obviously, the standard of investigation and briefs need to be of an extremely high order. This inevitably places extreme pressure on investigators during both the long term investigative and prosecution phases. Dealing with a large number of experienced criminal informers has been and will, in itself, continue to be a major challenge.

I am confident the results of the operation will be revealed over the course of the next 12 months and I will certainly report publicly again within the next year. I envisage that at that stage I shall be able to report in more detail on the investigation and its outcomes. However, I will not discuss issues and information, which may compromise the investigation.

Bearing in mind that Operation BART took nearly three years to complete and given the significance of the CEJA investigation, I believe it would be counterproductive to add to the pressures on the task force by imposing an unrealistic timeframe for the completion of its investigation. However, I would expect at this stage that the bulk of the investigation would be completed over the next twelve to eighteen months.

17 CONCLUSION

Clearly, this report is an attempt to strike a balance between the interests of the public's right to know and the need not to compromise any part of the investigation.

I am aware that there will be some who will be dissatisfied with the lack of detail of all specific allegations and their investigation in this interim report. I have provided as appendices to this report, details of the alleged circumstances giving rise to two further sets of significant charges against police members. But, I am not prepared to sacrifice the integrity of this major ongoing investigation by revealing other matters prematurely.

Public reporting of untested allegations denigrates the reputation of some and it is difficult to confine public disclosure to only part of an investigation. Further, it is my experience that investigations and enquiries conducted in private have a far better chance of establishing the facts than those conducted in the glare of media attention. It has been my experience that witnesses who, at times, are not prepared to give evidence in a public forum will do so on a confidential basis.

The importance of confidentiality, persistence and professionalism in the successful investigation of corruption allegations is well demonstrated by Operation HEMI and the work of the CEJA Task Force to date.

It must also be remembered that in addition to the CEJA Task Force, the Corruption Investigation Division (CID 3) continues to investigate a range of allegations of corruption and serious criminality involving members of the police force. During the 2001/2002 year, the Division completed approximately 90 investigations of varying degrees of complexity including, of course, Operation HEMI. This financial year, CID 3 completed over 100 investigations. These completed investigations over the last two years have included the following significant operations:

- Operation Keck – the result of this investigation was the arrest of a former member who recently pleaded guilty to attempting to obtain property by deception and use false document.
- Operation Poker – this investigation resulted in the arrest of a serving member and two other persons who have now been charged with conspiracy to pervert the course of justice.
- Operation Marah – the result of this investigation was the arrest of a member who has been charged with the theft of 9 motor vehicles and 9 counts of handling stolen goods.
- Operation Laity – this investigation resulted in charges of drug trafficking and theft against three serving members, an ex-member and two civilians.

- Operation Barranca – investigation resulting in charges relating to conspiracy to pervert the course of justice against a serving member and three civilians.

Four other members have been charged with serious criminal offences as a result of other investigations conducted by CID 3.

In summary, whilst Operation CEJA is a high profile corruption investigation, it is by no means the only one being conducted.

Finally, I trust that this interim report serves:

- To make public, the very timely response via the “*Purton Report*” to the management and supervision issues identified by the exposure of allegations of corruption at the former Drug Squad.
- To promote debate and discussion of the wider issues disclosed particularly in relation to an appropriate drug law enforcement model in Victoria.
- To provide background to this major investigation and the establishment and expansion of the CEJA Task Force.
- To provide details via the attached appendices of two sets of cases which demonstrate the extent and complexity of the Task Force’s work
- To provide some reassurance to the community that investigation of corruption by police in Victoria is very much a case of a great deal of “*work in progress*”.

APPENDIX A

SUMMARY OF THE CASE AGAINST DETECTIVE SENIOR SERGEANT WAYNE STRAWHORN

Whilst performing duties as a detective senior sergeant at the Drug Squad, Strawhorn headed the Chemical Diversion Desk. Enquires undertaken by the Taskforce have resulted in the allegation that he trafficked and conspired with former Detective Senior Constable Stephen Paton and others, to traffick in Pseudoephedrine on five (5) occasions between 28 October 1999 and 19 May 2000. On 13 March 2003 Paton entered a guilty plea in the County Court in relation to these five transactions and is due to be sentenced in May 2003.

In each of the five transactions it is alleged that Strawhorn instructed Paton to purchase pseudoephedrine from a pharmaceutical company. The pseudoephedrine was then supplied to informers for sale to criminals involved in the manufacture of amphetamine. It is alleged that Strawhorn received the greater portion of the proceeds totalling approximately \$50,000.00.

In December 2000, a representative of the pharmaceutical company brought Strawhorn's manager's attention to suspicious Drug Squad purchases. This is the first time that Victoria Police management had been notified of the activity of Paton. Upon receipt of this information his manager requested Strawhorn report on the circumstances of the transactions. Strawhorn provided a report that did not disclose all the known facts including his own involvement.

The pseudoephedrine in these transactions was for approximately \$170 per kilogram and has a value on the black market of approximately \$10,000 per kilogram. It is highly sought after by criminals for use in the manufacture of amphetamine. None of the transactions were authorised by Victoria Police nor were they recorded in any records held by Victoria Police.

On 24 September 1999 Strawhorn submitted a Victoria Police document claiming \$300 in expenses allegedly given to a registered Drug Squad informer. It is alleged that this money was not given to the informer and that Strawhorn stole the money.

On 22 December 2000 Stephen Paton tendered his resignation from the Victoria Police. In a conversation that day, Strawhorn threatened to kill him if he disclosed their criminal relationship.

Between June 1999 and May 2002 Strawhorn made a series of threats to kill an informer he used for four of the pseudoephedrine transactions. It is alleged that during one of these conversations, Strawhorn held a firearm to the head of the informer. It is alleged that Strawhorn told him not to double cross Strawhorn or disclose any of their criminal activities involving the distribution of drugs, otherwise he would be killed.

On 15 March 2003 Strawhorn met with a crown witness who covertly recorded this meeting. In the course of that conversation Strawhorn threatened to kill an inspector at the Ceja Task Force who also led Operation Hemi.

Strawhorn was arrested on 17 March 2003 and has been remanded in custody. A Confiscation Act restraining order was issued in relation to his major assets.

APPENDIX B

SUMMARY OF THE CASE AGAINST DETECTIVE SENIOR CONSTABLES IAN FERGUSON AND GLENN SADLER, SENIOR CONSTABLE JOANNE FERGUSON AND FORMER DETECTIVE SERGEANT STEPHEN COX.

Former Detective Sergeant Stephen Cox, Detective Senior Constables Ian Ferguson and Glenn Sadler worked on the same team at the Drug Squad prior to Cox's resignation from the Force on 27 February 2000. Senior Constable Joanne Ferguson is the wife of Detective Senior Constable Ferguson. Enquires undertaken by the Taskforce have resulted in the allegations that they conspired between themselves and another person to traffick a commercial quantity of heroin, and launder money.

In April 1999, their team conducted an operation targeting drug trafficking in the CBD. On 21 April 1999, a male was arrested as part of the operation, charged with drug trafficking and remanded in custody pending a committal hearing. In May 1999 he was granted bail, the conditions of which were negotiated on the condition he became an informer for the Drug Squad.

Cox Sadler and Ian Ferguson then conspired with the informer to traffick heroin. From August 1999 until early 2002, they sold approximately 10 kilograms of high quality heroin to The informer, for an estimated \$1.5m. Joanne Ferguson was drawn into the conspiracy via her husband and actively participated in the laundering and spending of substantial amounts of money.

During the course of this conspiracy, warrants of apprehension were issued against the informer for his failure to appear on bail in relation to the drug trafficking matter and a separate matter. Ferguson and Sadler had met with the informer on a number of occasions, being aware of the warrants and failing to take any action. On one occasion Sadler approached the informer at Crown Casino and stated a friend had seen the informer and alerted Sadler. After some negotiation a bribe consisting of casino chips and drugs was paid to Sadler to ensure no action was taken.

Ferguson and Sadler later provided advice to the informer to go interstate and how to avoid detection and arrest by police. Advice was also provided on how to avoid the Austrac reporting system and raising suspicion when handling large amounts of cash.

In August 2000, Ferguson stole substantial amounts of cash and drugs during a Drug Squad operation in the western suburbs. It is alleged that \$370,000.00 and 700 grams of heroin was stolen.

On 14 November 2002, Sadler and Ian Ferguson were suspended from duty pending the outcome of investigations of the allegations. Cox, Sadler, Ian and Joanne Ferguson were arrested and charged on 26 May, 2003.

APPENDIX C

SUMMARY OF CHARGES LAID BY CEJA TASK FORCE

Name	Position held at time of committing alleged offences	Offences	Current work and custody situation
Malcolm Rosenes	Detective Sergeant Drug Squad	Conspiracy to traffick cannabis resin (3 charges) Traffick cannabis resin (2 charges) Traffick cocaine (6 charges) Conspiracy to traffick cocaine (5 charges) Conspiracy to traffick amphetamine Traffick ecstasy Theft Conspiracy to steal Possess ecstasy Possess cocaine	Suspended without pay On bail awaiting County Court plea
Stephen Paton	Detective Senior Constable Drug Squad	Traffick pseudoephedrine Traffick pseudoephedrine (sudafed tablets)	Resigned On bail awaiting County Court plea
Wayne Strawhorn	Detective Senior Sergeant, Drug Squad	Conspiracy to traffick pseudoephedrine – 2 charges Traffick pseudoephedrine Theft Threats to kill – 3 charges	Suspended from duty without pay Remanded in custody
Ian Ferguson	Detective Senior Constable Drug Squad and National Crime Authority	Conspiracy to traffick heroin Traffick heroin Conspiracy to launder money Theft Attempt to pervert the course of justice	Suspended from duty without pay

Name	Position held at time of committing alleged offences	Offences	Current work and custody situation
Glenn Sadler	Detective Senior Constable Drug Squad	Conspiracy to traffick heroin Traffick heroin Conspiracy to launder money Attempt to pervert the course of justice Blackmail Bribery	Suspended from duty without pay
Stephen Cox	Detective Sergeant Drug Squad	Conspiracy to traffick heroin Traffick heroin	Resigned from Victoria Police in 2000
Joanne Ferguson	Senior Constable Corio Police Station	Conspiracy to traffick heroin Conspiracy to money launder	Suspended from duty without pay