



Report on investigation into Operation Clarendon



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LETTER OF TRANSMITTAL

To

The Honourable the President of the Legislative Council

And

The Honourable the Speaker of the Legislative Assembly

This report is presented to Parliament in accordance with section 102J (2) of the *Police Regulation Act 1958*.

It deals with matters that were the subject of an Office of Police Integrity (OPI) investigation in 2005 dealing with matters relating to the activities of Victoria Police members and a citizen, Mr Kerry Milte in 2002.

This investigation was substantially completed by August 2005. At that time persons who are the subject of this report were then involved in proceedings before the courts. As those matters are now resolved, this report is tabled for the public record.

A handwritten signature in black ink that reads "Michael Strong". The signature is written in a cursive, slightly slanted style.

Michael Strong

DIRECTOR, POLICE INTEGRITY

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CHRONOLOGY

Date	Event
28 October 1999	Criminal offences commence at Chemical Diversion Desk of the Victoria Police Drug Squad – (staffed by Paton, Rosenes and Strawhorn).
December 2000	Sigma identify suspicious drug purchases.
December 2000	Paton resigns.
April 2001	Chief Commissioner Nixon takes office.
29 July 2001	Operation Hemi arrests Paton, Rosenes et al.
2 August 2001	Chief Commissioner Nixon commissions the Purton Review of the Drug Squad.
28 November 2001	Purton Review report recommends restructure and creation of Ceja Task Force to investigate allegations of corruption. Purton criticises Lambert and Strawhorn in relation to management, accountability and administrative processes at the Drug Squad.
6 January 2002	Strawhorn moved to Major Fraud Squad: Lambert redeployed.
8 January 2002	Lambert introduced to Milte.
17 January 2002	Lambert introduces Milte to Strawhorn.
24 January 2002	Lambert meets Milte again.
29 January 2002	Ceja officially commences intelligence gathering phase into 14 alleged incidents of corruption involving Drug Squad members.
Early 2002	McKinnon contacted by Milte (sometime early 2002), McKinnon arranges to introduce Milte to Chief Commissioner Nixon.
6 February 2002	Lambert meets Milte again.

8 February 2002	McKinnon meets with Chief Commissioner Nixon; introduces Milte who purports to have information on well-known organised crime figures and links to Victoria Police.
12 March 2002	Lambert and Strawhorn meet Milte; <i>Strawhorn (is) tasked to speak to Milte's contacts.</i>
9 April 2002	Chief Commissioner Nixon meets with McKinnon and Milte. Agreed Milte's information needs follow-up; Milte identifies Lambert and Strawhorn as appropriate to work with.
11 April 2002	Chief Commissioner Nixon meets Strawhorn and Lambert and they accept positions on Operation Clarendon – Lambert writes the terms of reference which include level of Italian organized crime activity in Victoria and links to other states.
18 April 2002	Lambert and Strawhorn meet Milte.
24 April 2002	Full time work for Strawhorn and Lambert on Operation Clarendon commences.
22 May 2002	Diary entry Strawhorn; <i>Clear to meet K M mentioned a crim dropped my name yesterday, ESD (name deleted) looking all around about me.</i>
31 May 2002	Lambert and Strawhorn meet Milte, Milte asked by Lambert to report conversation to Chief Commissioner that information about allegations against former Drug Squad Members including Strawhorn was possibly false, Milte agrees to do so.
31 May 2002	Milte emails McKinnon about criminal informing against Strawhorn.
31 May 2002	McKinnon says he sent facsimile to Chief Commissioner Nixon warning of <i>orchestrated exercise underway to stymie prosecutions against major crime figures.</i>

7 June 2002	Lambert, Strawhorn and Milte meet regarding 'IID story' (The Internal Investigation Department, or IID, was the predecessor to the Ethical Standards Department, or ESD).
11 June 2002	Lambert, Strawhorn and Milte meet again regarding 'IID story'.
30 June 2002	Ceja provides interim report to Chief Commissioner Nixon. It now identifies there are more than 100 allegations, some of which involve Strawhorn. The report requests further resources to investigate the allegations.
12 July 2002	Operation Clarendon closed down.
24 July 2002	Milte arranges for conversation between himself and a barrister, probing what information has been given to the Ethical Standards Department about Strawhorn, to be tape recorded.
November 2002	Cox, Sadler et al stood down.
17 March 2003	Strawhorn arrested.
20 May 2003	Lambert has met Milte 36 times since 8 January 2002.
November 2006	Strawhorn found guilty of trafficking pseudoephedrine and sentenced to seven years imprisonment.
June 2008	Victorian Court of Appeal dismisses Strawhorn's appeal against conviction.

RELEVANT PERSONS

Name	Position in 2002
Mr Rodney Lambert	Commander, Victoria Police (former Commander, State Crime Squads, which included the Drug Squad)
Mr Paul McKinnon	Former Assistant Commissioner, New South Wales Police
Mr Kerry Milte	Former officer of the Commonwealth Police, barrister, author and business consultant
Mr Wayne Strawhorn	Detective Senior Sergeant, Victoria Police (former Drug Squad member)

BACKGROUND

Some time in early 2004, the then Director, Police Integrity, Mr George Brouwer became aware that police were investigating suspected unlawful activities between current serving members of Victoria Police and a citizen, Mr Kerry Milte.

In April 2004, media reports linked the Chief Commissioner and Mr Milte stating that Mr Milte had been a police informer. OPI was aware that in 2002 Mr Milte purported to have information regarding organised crime and that Victoria Police had established a special covert Task Force known as Operation Clarendon to assess and investigate Mr Milte's information.¹

By early 2005, OPI had received information that charges had been laid against a member of the Australian Federal Police and two Victoria Police members in relation to leaking police information to Mr Milte. This gave rise to concerns regarding the nature of Mr Milte's association with Victoria Police. Accordingly, Mr Brouwer decided to initiate an own motion investigation into matters relating to Operation Clarendon, Mr Milte and the Victoria Police informer management policies and practices.

¹ Operation Clarendon referred to in this report should not be confused with Project Clarendon – a current Victoria Police initiative that trains local investigators to obtain physical evidence from property crime scenes.

METHODOLOGY

A number of witnesses who had been directly involved in Operation Clarendon were examined under oath in private hearings. A number of these witnesses requested and were provided with certificates under s.86PA(4) of the *Police Regulation Act 1958* (the Act), the Director's delegate having certified that the provision of the relevant evidence was necessary in the public interest.

The investigation also involved some less formal interviews. Some witnesses provided statements, including witnesses approved by senior management to provide evidence on behalf of Victoria Police. In addition, documentation was requested from, and supplied by, Victoria Police.

As part of the investigation, an extensive analysis of Victoria Police informer management policies in use within the force between 1991 and 2005 was also conducted.

The investigation was substantially completed by August 2005.

At that time a number of matters were before the court relating to persons who are the subject of the investigation. As those proceedings have now concluded, I am releasing this report. It incorporates information revealed by OPI review of the Ceja investigations, not previously made available to the original investigators.

BACKGROUND TO OPERATION CLARENDON

The relevant background to Operation Clarendon commences in November 2001. At that time, the report of the Victoria Police Drug Squad Review commissioned by the Chief Commissioner and conducted by the Corporate Management Review Division was finalised (the Purton Review). The review had been commissioned following the arrest of two members of the now infamous Victoria Police Drug Squad for drug related offences (Paton and Rosenes).²

Included amongst those criticised in the Purton Review were the Commander Crime, Rodney Lambert, who had line management responsibility for the Squad, and Detective Senior Sergeant Wayne Strawhorn, who headed up the Chemical Diversion Desk where Paton and Rosenes had worked. Both men, along with two other senior officers had been criticised for their auditing, management and accountability practices. Of the two other senior police associated with the Drug Squad, one did not have his contract renewed, the other was transferred. Consistent with the employee relations processes in place at the time, Mr Lambert and Mr Strawhorn were removed from drug investigations, transferred at rank and it had been recommended that they be placed on Performance Improvement Plans.

Their transfers took effect from January 2002. Mr Lambert was removed as Commander Crime, and redeployed to manage a number of administrative matters at headquarters. Mr Strawhorn was moved to the Major Fraud Squad on 6 January 2002.

The evidence has established that on 8 January 2002, a Victorian Member of Federal Parliament who was a mutual acquaintance of both Mr Kerry Milte and Mr Rodney Lambert, introduced the men to each other. Mr Lambert's diary entry for 8 January 2002, states:

Lunch with Bob Sercombe – Federal Member for Maribyrnong and Kerry MILTE – consultant for Unity Resources Group.

Within a week, Mr Lambert had arranged for a meeting between Mr Milte and Mr Wayne Strawhorn. That meeting took place on 17 January 2002. Mr Lambert's diary entry for that day suggests that Mr Milte was offering him and Mr Strawhorn information on well-known organised crime figures.

Mr Kerry Milte is a former officer of the Commonwealth Police, a barrister, author, and was, in 2002, operating a consultancy business. He apparently held himself out as something of a 'Mr Fixit', professing to be able to facilitate solutions for companies with problems that had a law enforcement aspect. He appears to have been well-skilled in self-promotion. He was legally qualified, and although he was not practising as either a barrister or solicitor, his services were sought by various people in organisations who had problems seeking redress for perceived criminal or fraudulent conduct affecting their organisations. Mr Milte was able to offer assistance to these people by promoting himself not only as having some knowledge in the

² For more information on the Purton Review refer to *Ceja Task Force Drug Related Corruption; Third and Final Report* Office of Police Integrity July 2007

relevant field, but also as having connections with high-ranking police officers from various jurisdictions who could be prevailed upon to encourage various sections of Victoria Police to take an interest in undertaking an investigation into the alleged criminal or fraudulent conduct.

Mr Lambert had further meetings with Mr Milte and others on 24 January 2002 and 6 February 2002 where his notes suggest there were more discussions about organised crime including the possible involvement of organised crime in thefts from a car manufacturing company.

Mr Lambert's diary entry for 6 February 2002 states:

Met Kerry Milte at the RACV Club and discussed (name deleted) and (name deleted) and other organised crime figures – McKinnon to speak to CCP tomorrow and will discuss the organised crime problem and possible links to corruption.

Mr Paul McKinnon is a former Assistant Commissioner of the New South Wales Police who retired in December 2000. In a statutory declaration made by Mr McKinnon he stated that, in 2002, he received emails and telephone calls from Mr Milte indicating that he had information about organised crime figures in Victoria and possible links with corrupt Victorian police officers. Mr McKinnon said he decided that he would introduce Mr Milte to Victoria Police. Mr McKinnon had worked with Chief Commissioner Nixon's father and had known her for many years. Through her Chief of Staff, he arranged for a meeting to take place on 8 February 2002 when he could introduce Mr Milte to the Chief Commissioner.

According to the evidence, Mr Milte and Mr McKinnon had had random, infrequent contact with one another between 1991 and 2002. Mr McKinnon told OPI investigators that he had, at one stage, registered Mr Milte as an informer. According to Mr Milte, he was not told he had been a registered informer with New South Wales Police until some time after his involvement with Victoria Police had ceased (approximately mid-2003).

In explaining his involvement in arranging the meeting between Mr Milte and Chief Commissioner Nixon, Mr McKinnon said that:

Essentially, my intentions with Milte was to 'offload' him to the Victoria Police to get him out of my hair.

On 8 February 2002, Mr McKinnon flew down from Sydney and stayed at the airport Hilton Hotel. He was picked up from there by Mr Milte who drove him into town for the meeting with the Chief Commissioner.

The Chief Commissioner told OPI investigators that at that time she had been speaking to a number of people within Victoria Police and in the Victorian community about the Victorian criminal environment. She said she had been a bit surprised by the attitude of some of the senior managers in Victoria Police about failing to recognise Victoria Police had problems.

She said that she had known Mr McKinnon since childhood. She said she had not previously met Mr Milte but that she knew of him, and that he had been a lecturer at Sydney University and had taught many people, including detectives in NSW enrolled in criminology courses. She said she was aware that Mr Milte and another person had written a book and assumed that as a barrister he had understood and worked with people in organised crime.

At the 8 February meeting, Mr Milte held himself out to the Chief Commissioner as being able to provide current and helpful information to Victoria Police about police corruption and its alleged association with elements of organised crime in Victoria. Mr Milte also told the Chief Commissioner that he might be able to introduce Victoria Police to people with more in-depth information.

The Chief Commissioner told OPI investigators that she viewed Mr Milte as just a citizen “who wanted to tell you about different things”. She described him as one of those people who to her appeared to “just know lots about lots of things and had been around a long time and are useful to listen to”.

She said Mr McKinnon did not tell her anything about his dealings with Mr Milte in NSW, nor that Milte had been a registered informer to NSW Police. He merely told her that he knew Mr Milte and that Mr Milte understood and had worked with people involved in organised crime. She said she did not receive any warning from Mr McKinnon that she should be wary about talking to Mr Milte. She said that she would have had a very different conversation with Mr Milte had she been told that he had been registered as an informer in the past.

Following this initial meeting, the Chief Commissioner agreed to consider the advice in light of Victoria Police organisational arrangements.

Mr Lambert’s diary entry for 12 March 2003 states he and Mr Strawhorn again met with Kerry Milte and that *Strawhorn (is) tasked to speak to Milte’s contacts*.

On 9 April 2002, a second meeting took place between Chief Commissioner Nixon, Mr McKinnon and Mr Milte. At that meeting it was agreed that the information Mr Milte had provided required more follow up. A discussion took place about with whom, from Victoria Police, Mr Milte could work and whom he trusted to look into the matters he had raised. Mr Milte nominated three people; Commander Rodney Lambert, Detective Senior Sergeant Wayne Strawhorn and a third police member.³

³ In response to a draft of this report, the Chief Commissioner notes that both Mr McKinnon and Mr Milte appeared to be credible. There was nothing to suggest that their motives in bringing these matters to the attention of Victoria Police were improper. They were not seeking and were not paid any financial reward for their assistance. After a preliminary assessment, it was deemed appropriate that Victoria Police should investigate the allegations.

Operational structure, supervision and accountability

The usual Victoria Police processes for referring the matter for investigation were not used in this case. Mr Kevin Scott, who was the Chief of Staff in the Chief Commissioner's Office and also present at the meeting on 8 February and 9 April 2002, told OPI investigators that this departure from usual processes related to two issues. Firstly, the nature of Mr Milte's information and a perception that, at the time, Victoria Police's organised crime squad was not dealing effectively with organised crime. Secondly, there had been a significant restructure of the Crime Department following the Purton Review which had resulted in under-utilisation of Commander Lambert's investigative experience.

The Chief Commissioner also told OPI investigators that following the review of the Drug Squad, the Assistant Commissioner Crime had gone and Mr Lambert had been moved out of his position in January 2002 as Commander Crime. She told OPI investigators that part of what she wanted to do with Milte's information was to assess it from an intelligence point of view and sort out "*Is it old? Is it new? Is it, you know, relevant? – that sort of thing.*" She said it was appropriate to have Mr Lambert tasked with something because at that stage he was probably under occupied.

After the meeting on 9 April 2002, Mr Scott arranged an Operation name for the project and provision of a budget. A dedicated team was appointed, camouflaged under the code-name 'Operation Clarendon'. Ostensibly focused on a review of the crime management model, the team was to assess and investigate the matters raised by Mr Milte.

Wayne Strawhorn was included as part of the team. Mr Scott told OPI investigators that both Mr Lambert and Mr Strawhorn were very skilled investigators and this was a way to use them more effectively following their transfers out of the Drug Squad. Mr Strawhorn's diary records that, on 11 April 2002, he met with the Chief Commissioner, Mr Scott, and Mr Lambert and was "offered and accepted a position on project re Case Management Major Investigations / Task Forces".

The Terms of Reference for Operation Clarendon were drawn up by Mr Lambert as follows:

- *Establish the level of Italian organised crime activity in Victoria and any links to other States;*
- *The influence Italian organised crime has on the Footscray Fruit and Vegetable Market;*
- *To gather any information that may assist the investigation of unsolved murders linked to Italian organised crime;*
- *To gather any information in relation to the activities of current serving or ex-members of the Force linked to Italian organised crime;*
- *Provide analysis on the intelligence provided on Members of the Society.*

Initially Mr Lambert reported on the Operation to the Chief Commissioner through Mr Scott. After two meetings, he then reported to Deputy Commissioner William Kelly.

Work done in Operation Clarendon

Full time work on Operation Clarendon commenced for both Mr Lambert and Mr Strawhorn on 24 April 2002.

The available evidence indicates that at no time was Mr Milte a registered informer of Victoria Police. He neither asked for, nor received, payment for the information and other assistance he provided to the police in Operation Clarendon.⁴

Mr Milte did introduce one person to the team who became a registered informer. As a result, a number of investigative inquiries were conducted.

Most of the remainder of the work done by those working on Operation Clarendon appears to have been outside the stated terms of reference for the operation. It appears that Mr Milte was able to persuade Mr Lambert to spend substantial time in relation to suspected criminal activity in a large factory. Mr Milte had professed to be able to help with the security problems at the factory. These problems had nothing to do with the terms of reference of Operation Clarendon. When questioned about this, Mr Lambert conceded that he had initially taken the opportunity to develop some relationships with a number of company managers involved in this matter with a view to establishing a possible employment opportunity upon his retirement from Victoria Police. However, he indicated that later in the life of Operation Clarendon he had decided that he did not want to retire and referred those managers to a former police officer of his acquaintance who could help them with their security requirements.

Similarly, in another matter where he had been retained as a consultant, Mr Milte called upon Mr Lambert to assist in having a criminal investigation commence into an alleged fraud that was essentially a civil matter. As well as reviewing the matter himself, Mr Lambert arranged for it to be assessed by the Major Fraud Investigation Division, effectively circumventing usual assessment processes that might have resulted in long delays. I note that the police correctly determined that the matter was not one in which they should have been involved.

Other activities conducted by the team and Mr Milte appear to have focussed on enquiring into matters relevant to Wayne Strawhorn, whose past activities at the Drug Squad were concurrently being examined by members of the Ethical Standards Department.

⁴ In response to a draft of this report the Chief Commissioner notes that Mr Milte was not required to be registered under Victoria Police policy in existence at the time. He was not personally in possession of the intelligence but was in a position to introduce an informer to investigators.

Impact of Ceja investigations

While Wayne Strawhorn was working at Operation Clarendon, information about his possible involvement in drug-related corruption was being assessed by the Ceja Task Force (Ceja). Ceja had been established in accordance with another one of the recommendations made by the Purton Review.⁵

Ceja, then under the command of a Detective Inspector, commenced an intelligence-gathering phase on 29 January 2002 to further investigate allegations of more widespread drug-related corruption by former members of the Drug Squad. It was required to provide an interim report on its findings to the Chief Commissioner by 30 June 2002.

As part of its initial inquiry phase, Ceja investigators were in contact with a number of citizens facing drug related charges. One particular person provided information regarding Wayne Strawhorn.

A diary entry by Wayne Strawhorn dated 22 May 2002 states:

Clear to meet K M - mentioned a crim dropped my name yesterday, ESD (name deleted) looking all around about me.

A diary entry by Mr Lambert dated 31 May 2002 states:

further meeting with Kerry Milte and unregistered informer... informed Strawhorn and I that he had been speaking with (a barrister)... (the barrister's client) was being pestered by (name deleted) of ESD. (The barrister's client) had made a number of allegations against the former Drug Squad member including Strawhorn and that there was a possibility this information was false. I informed Milte that he should report the conversation to the CCP and he agreed to do so.

On 31 May 2002, Paul McKinnon says he sent a fax to Chief Commissioner Nixon after having received an email from Mr Milte.

A copy of the document purportedly sent to the Chief Commissioner and provided to OPI by Mr McKinnon indicates Mr McKinnon had had contact with Kerry Milte. It says the previous day (30 May 2002) Mr Milte told him he had met with a Melbourne barrister who had been acting for a major drug trafficker in committal proceedings. According to the document, the committal proceedings had been adjourned 'sine die'. Mr McKinnon implies that this was because the barrister's client had been speaking to the Detective Inspector then in charge of Ceja. Mr McKinnon goes on to write, *What is occurring, Milte says, seems to be directed towards undermining a number of drug cases and that police such as the Detective Inspector, whom he names, have possibly formed relationships with the defence.* The document concludes by saying:

The advice is that it seems reasonable to assume that there is an orchestrated exercise underway to stymie a number of current and pending prosecutions of major crime figures. In the circumstances, I thought that you ought to be appraised of this side of the picture,

⁵ See *Ceja Task Force: Drug Related Corruption Third and Final Report* Office of Police Integrity, July 2007

so that issues surrounding what could be occurring might be properly examined and that people who might be driving a Royal Commission agenda may have their motives tested.

There is always a possibility where less experienced police see potential advancement by taking on a 'crusader' approach, that serious harm can be done to the institution and shake public confidence.⁶

The Chief Commissioner was unable to recall having received this fax, but told OPI investigators that if she had seen it, she would have forwarded to the Ethical Standards Department. OPI was unable to discover any evidence that demonstrates the fax was ever received by Victoria Police.

Mr Lambert's diary goes on to indicate further meetings were held with Mr Milte about the 'IID story' on 7 and 11 June 2002. (The Internal Investigations Division was the predecessor to the Ethical Standards Department). These meetings are also itemised in Mr Strawhorn's diary.

On or about 30 June 2002, Ceja provided Chief Commissioner Nixon with an interim report. This report identified to the Chief Commissioner of Police for the first time that Wayne Strawhorn was a key target of the investigations and included an extensive risk assessment on him outlining numerous allegations that he had been involved in corrupt activity.

On 12 July 2002, the Chief Commissioner met with Mr Lambert and told him Operation Clarendon was to cease and that he had to arrange a handover of all the relevant information to Task Force Lorcha. Mr Strawhorn was to return to his substantive position in the Major Fraud Squad.

A handover period of some weeks occurred. Mr Milte's role with Victoria Police theoretically ceased with the winding up of Operation Clarendon, however Mr Milte's frequent meetings with Mr Lambert continued long beyond Operation Clarendon's short life of some three months. Mr Lambert's diary notes some 36 meetings with Mr Milte between 8 January 2002 and 20 May 2003. Seven of these have the cryptic notation: 're Update'.

Mr Lambert told investigators that in September 2002 he had had a chance meeting with the Chief Commissioner in the carpark of the Victoria Police Centre, at which meeting he said she made a remark to him to the effect that he should keep in touch with Mr Milte in case he had any information. Mr Lambert said she asked him to feed any information of value back to the Crime Department Task Force. Mr Lambert said he interpreted this remark as tacit support for a continuation of the association between himself and Mr Milte. Information from the Chief Commissioner confirms that a conversation took place in the car park, but her recollection is that it took place at about the time when Operation Clarendon was being handed over to the Crime Department (July 2002). She said she did not suggest to Lambert that he keep in touch with Mr Milte, only that he was to pass any information from Milte to the Crime

⁶ Document dated 31 May 2002 signed Paul McKinnon

Department. She said she did not give Lambert any express authority to maintain any ongoing relationship with Mr Milte beyond this point.

Following the winding up of Operation Clarendon, Mr Milte also continued to provide assistance to Mr Strawhorn as outlined below.

On or about 24 July 2002, Mr Milte asked a uniformed police constable of his acquaintance (who was not a member of the Operation Clarendon team) to 'help out' and assist with taping a meeting between Mr Milte and another person. A junior member of Operation Clarendon, who was also a former Drug Squad member, provided the taping equipment to the constable nominated by Mr Milte. The conversation to be taped was a conversation between Mr Milte and his barrister friend, referred to above, who had acted for the person allegedly providing information to Ceja about Wayne Strawhorn. Mr Milte claimed that taping the conversation was his suggestion to either Mr Lambert or Mr Strawhorn, and that he had nominated his friend, the uniformed police constable, to Mr Lambert, as the person who could undertake the actual taping of the conversation. This third person would be a party to the conversation and meant the conversation could be taped without needing a warrant under the *Surveillance Devices Act 1999*.

It appears the purpose of the meeting was for Mr Milte to probe the barrister for details about any information his client may have given to the Detective Inspector in charge of the Ceja Task Force about Wayne Strawhorn.

Both Mr Lambert and Mr Strawhorn claimed to have no knowledge that the taping ever took place. However, telephone call charge records corroborate Mr Milte's account that he telephoned Mr Lambert on several occasions on the day in question. Mr Milte claimed that this was to keep Mr Lambert abreast of progress. The junior member of Operation Clarendon gave evidence that he had given the tapes to Mr Strawhorn, but Mr Strawhorn denied any knowledge of them.

Following the closure of Operation Clarendon

Wayne Strawhorn was eventually suspended from duties and charged with a number of serious criminal offences on 17 March 2003, some nine months after Operation Clarendon was closed down. In November 2006 he was found guilty of trafficking pseudoephedrine and sentenced to seven years imprisonment.

Mr Lambert resigned from Victoria Police in June 2005, shortly after being interviewed by OPI investigators in the course of this investigation.

Information obtained by the Operation Clarendon team concerning criminal activities was passed on to the Crime Department to investigate as part of Task Force Lorcha. Task Force Lorcha's investigations into organised crime has to date resulted in 48 arrests, numerous charges being laid both in Australia and overseas and a large number of convictions. The Task Force Lorcha investigations are ongoing.

In the course of Operation Lorcha, suspicions about Mr Milte's motives were raised. Inappropriate relationships between him and members of Victoria Police and the

Australian Federal Police were also revealed. These matters were referred to the Ethical Standards Department and to the Australian Federal Police for investigation.

In October 2005, Mr Milte was fined and placed on a good behaviour bond after pleading guilty to aiding, abetting, counselling and procuring the disclosure of information from the Victoria Police Law Enforcement Assistance Program (LEAP) database by a Commonwealth Officer. He has subsequently been in breach of the Magistrates Court's orders in relation to this matter, and it was returned to the courts for resolution. In December 2006, Mr Milte was convicted and fined after pleading guilty to inciting a Victoria Police member to illegally access sensitive information from the Victoria Police LEAP database.

DISCUSSION

In order to place in context the informer management policies operating at the time, an analysis of Victoria Police informer management policies in use within the force between 1991 and 2005 was conducted. This involved an examination of Operating Procedures 4.8.2, several draft policies from 1995 to 1997, a series of policies operating within the Crime Department from 1997 to September 2003, and three sets of Chief Commissioner's Instructions which have operated from September 2003 until the completion of my investigation in August 2005. In addition, information was also obtained about the Victoria Police's dedicated human source handling project and work undertaken towards the development of a new policy. This analysis is discussed in detail in a forthcoming report on informer or human source management. Suffice to say here that evidence at the hearings conducted by the Director's delegate and documents provided by Victoria Police did not identify with clarity which was the relevant informer management policy at any given time during the relevant period.

There was consensus amongst all police interviewed in the course of this investigation and Mr Milte himself, that it never occurred to them to register Mr Milte as an informer. Despite this, one of the issues for my investigators was whether or not Mr Milte **should** have been registered as an informer. One of the dilemmas for policing services worldwide is determining if or when a 'concerned citizen' who provides information that may lead to the arrest of any person needs to be registered as an informer.

Some of the accepted criteria for registering a non-criminal informer are as follows:

- A need to protect the identity of the person for any reason;
- A need to provide protection for the person who may be asked to seek out further intelligence or information on direction, request or tasking of police;
- A need to provide accountability for any payments or benefits to the person;
- A need to ensure the safety of the person as a result of the relationship between Police and the informer (or Human Source as informers are now known).⁷

An objective application of these criteria to Mr Milte in this case explains why none of those interviewed by my investigators or examined at hearings considered he warranted registration as an informer. Mr Milte's consultancy business depended on his reputation of having connections to high-ranking police, he needed to be able to promote himself as a 'Mr Fixit'. In relation to the formal terms of reference for Operation Clarendon, he was merely to provide information he had obtained in the course of working as a criminal lawyer and consultant in the criminology field, and introduce police to an informer.

⁷ VPM Instruction 111-3 Human Sources Issued 7 May 2007

The benefits he received from Mr Lambert's assistance in relation to his consultancies, were hardly likely to be documented in reports about the Operation to the Chief Commissioner, neither were the activities he undertook in relation to Mr Strawhorn.

The informer that was registered in the course of Operation Clarendon had a criminal record. He was used by team members to participate in a drug buy.

However I note that, despite Mr Lambert's and Mr Strawhorn's being experienced detectives, several aspects of the handling of the registered informer used in Operation Clarendon were not in accordance with the Crime Department's informer management practices in place at the time.

- The informer received payments prior to being registered as an informer.
- On most occasions when this person was paid more than \$500, no police member of officer rank was present.
- At the informer's request, the informer was paid by a Victoria Police cheque made out in the informer's own name. Notwithstanding that this complied with the informer's request, this compromise of the person's anonymity was contrary to the applicable policy.

Mr Lambert provided the following explanations for these deviations from policy:

- The security of the operation meant it was not possible for the informer to be registered at that time, and that this was approved by the Chief Commissioner;
- He agreed that he was the only person of the appropriate rank who could have been present and that he was not present on most occasions when Mr Strawhorn paid the informer. Mr Lambert conceded that the policy had not been complied with but indicated that he had confirmed later with the informer that those payments had been made and that Mr Strawhorn had brought back 'slips'.
- It never came to his mind that they were compromising the safety of the informer by paying him by cheque in his name. The informer was happy with the arrangement and did not complain about it.

CONCLUSIONS

Operation Clarendon was short lived. It operated from April 2002 to approximately 12 July 2002. On the face of the evidence Operation Clarendon appears to have been engineered by Mr Milte, Mr Lambert and Mr Strawhorn to further their own interests, although Mr Lambert denies this.

Mr McKinnon was used by Mr Milte because of his connections with Chief Commissioner Nixon to further these agendas.

Chief Commissioner Nixon and her Chief of Staff were not informed by Mr Milte and Mr Lambert about the entirety of the work undertaken under the banner of Operation Clarendon.

As soon as practicable after allegations of specific corruption involving Wayne Strawhorn came to the attention of the Chief Commissioner, she took steps to close Operation Clarendon.

The OPI examination of Victoria Police informer management policies and procedures operating at the time identified that they contained significant deficiencies and that, although these were recognised in the Purton Review, there were unacceptable delays in rectifying these deficiencies and developing an appropriate framework for managing this important area. These matters and the current framework are currently under examination by OPI and will be the subject of a forthcoming report.

Although the events that gave rise to this investigation have now passed into history, an analysis of Operation Clarendon provides an important reminder of the need for police to be ever vigilant when approached by manipulative individuals, such as Mr Milte, 'bearing gifts' i.e. purporting to be able to provide high level assistance for no reward. Such individuals may present as 'concerned citizens', well credentialed and apparently respectable; yet their real mission is to 'woo' police for the purposes of obtaining or trading information. Police have access to information that is extremely valuable to certain sectors of the community, be it for criminal purposes, commercial interests or newsworthiness. Police are aware of the risks in dealing with people who have a criminal record and understand the importance of registering them as informers or human sources. The outwardly respectable manipulator presents dangers that are less apparent, but just as real. As this report demonstrates police must guard against allowing (even by inadvertence) outsiders to obtain access to operational resources under any guise.

Other OPI Reports

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(tabled February 2008)
- Report on the 'Kit Walker' investigations
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- Investigation into the publication of One Down, One Missing
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