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Official Committee Hansard

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Reference: Auditor-General's reports Nos 32 (2008-09) to 1 (2009-10)

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**JOINT STATUTORY
COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

Wednesday, 18 November 2009

Members: Ms Grierson (*Chair*), Mr Georgiou (*Deputy Chair*), Senators Barnett, Mark Bishop, Bushby, Feeney and Lundy and Mr Adams, Mr Bevis, Mrs Bronwyn Bishop, Mr Bradbury, Mr Briggs, Ms King, Mr Neumann and Mr Robert

Members in attendance: Senator Feeney, Mr Adams, Mr Briggs, Mr Bradbury, Mr Georgiou and Ms Grierson

Terms of reference for the inquiry:

To inquire into and report on:

Auditor-General's reports Nos 32 (2008-9) to 1 (2009-10)

WITNESSES

**ANDERSON, Mr Geoffrey Donald (Geoff), Assistant Secretary, Project Delivery Branch,
Department of Finance and Deregulation 1**

**BOYD, Mr Brian, Executive Director, Performance Audit Services Group, Australian National
Audit Office 1**

**CLAY, Mr Stephen John, Acting Assistant Secretary, Territories West, Attorney-General’s
Department..... 1**

**LYNCH-MAGOR, Ms Fiona, , Assistant Secretary, Services Management Branch, Community
Services and Detention Division, Department of Immigration and Citizenship 1**

**ROWE, Ms Nicola, Audit Manager, Performance Audit Services Group, Australian National
Audit Office 1**

**SCOTT-MURPHY, Mr Richard Edward (Rick), First Assistant Secretary, Property and
Construction Division, Department of Finance and Deregulation 1**

**WILSON, Ms Jackie, First Assistant Secretary, Community and Detention Services Division,
Department of Immigration and Citizenship 1**

**YATES, Mr Julian Anthony, Acting First Assistant Secretary, Territories and Information Law
Division, Attorney-General’s Department..... 1**

Committee met at 12.07 pm

ANDERSON, Mr Geoffrey Donald (Geoff), Assistant Secretary, Project Delivery Branch, Department of Finance and Deregulation

BOYD, Mr Brian, Executive Director, Performance Audit Services Group, Australian National Audit Office

CLAY, Mr Stephen John, Acting Assistant Secretary, Territories West, Attorney-General's Department

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SCOTT-MURPHY, Mr Richard Edward (Rick), First Assistant Secretary, Property and Construction Division, Department of Finance and Deregulation

WILSON, Ms Jackie, First Assistant Secretary, Community and Detention Services Division, Department of Immigration and Citizenship

YATES, Mr Julian Anthony, Acting First Assistant Secretary, Territories and Information Law Division, Attorney-General's Department

CHAIR (Ms Grierson)—I open today's public hearing which examines the Auditor-General's Report No. 43 2008-09 *Construction of the Christmas Island Immigration Detention Centre*. I welcome the representatives from the Department of Finance and Deregulation, the Department of Immigration and Citizenship, the Attorney-General's Department and the National Audit Office. I draw witnesses' attention to the written guidelines on the conduct of hearings available at the table. Because we often have people in front of us who did have involvement in these projects that we audit and who did not have involvement in the projects, could you also explain to us if you were involved in the construction of the Christmas Island detention centre?

Mr GEORGIU—Were you there at the time?

Mr Scott-Murphy—I have been in this role in the Department of Finance and Deregulation since November 2003. Finance, of course, took on the delivery of the Christmas Island detention centre in February of 2003, so I have had a continuing involvement since November 2003.

Mr Anderson—As branch manager, I have had involvement with the project for the last four years, since I joined the Commonwealth. I started during the construction phase—that was quite well advanced—through to the completion and the defects liability period.

Ms Wilson—I got to open the centre, but I have only been with the department for 12 months, so I was not there during the building of the centre.

Ms Lynch-Magor—I have been in the department since 2006 but I was in another role. I have been in my current role for 12 months, so I was there when the centre was opened but I was not there during the construction phase.

CHAIR—So we really have no one from DIAC who was part of this project from the beginning. Have you been fully briefed to answer questions today?

Ms Wilson—We have had some briefing and, depending on the questions, we may have to take some on notice.

CHAIR—You are happy to take questions on notice?

Ms Wilson—Yes.

Mr Clay—I have been with Territories West for about four years, partly knowing about this project, of course, but with no direct involvement at the time. I was mainly in the policy area, relating to territories.

Mr Yates—I have been in the territories function since August 2006. My substantive position is Assistant Secretary, Territories West, so I have some personal knowledge since that time.

CHAIR—That is very useful information. Thank you very much. Do any of the witnesses wish to make an opening statement on this report?

Mr Boyd—I might just table an opening statement on behalf of the ANAO.

Mr ADAMS—I move that the statement be tabled as part of the record.

CHAIR—Thank you.

Mr Scott-Murphy—We do not have any opening statement.

Mr ADAMS—I just want to establish that on the building of the centre and the decisions on the design that not much consideration was given to the long-term maintenance of the centre—were they policy decisions of government or a failure in the design to give consideration to that?

Mr Scott-Murphy—Sorry—I am just trying to get the thrust of your question.

Mr ADAMS—There are no solar hot water systems, there is no collection of water from the runoff to reuse in the outside areas or in any way—those sorts of processes. Also, there is the consideration of materials used in an island community. Knowing a bit about islands, they do tend to have sea close to a lot of their borders, so you do have these issues to deal with on outdoor usage facilities et cetera. I am trying to get whether there was a policy decision, who made the decisions and who did not consider these things in the design of this centre. Are you right on that? Do you understand what I am saying now?

Mr Scott-Murphy—I understand now. There was certainly no policy decision that we were made aware of to not try and create an economic life for the facility that was as long as could be

sustained. The choice of materials in the design and construction did indeed take account of the environmental factors, including the salt that may be evident in the environment and including the high humidity and the high rainfall.

It also turned to questions of design for an area in a seismically active zone. You will see in the design that the use of materials is very much aimed at getting a long structural life from the facility. We also had to bear in mind the costs of transport, given that practically all materials in the facility were sourced from either mainland Australia or, in some cases, for steel, Indonesia. So the transport of the materials was a factor, but largely the design features were the result of a consultative activity involving the project design consultants, the then Department of Immigration and Multicultural Affairs and, to some extent, the then Department of Transport and Regional Services on the services that were provided to the centre. I am certainly not aware of any policy to play down the longevity of the site. Issues of environmental sustainability have become more prevalent in recent years, but bear in mind that the design work for this is now nearing seven years ago. Much of the design work was undertaken in 2002 and early 2003.

CHAIR—Could you explain the circumstances in which this project shifted from what was then DIMIA to the Department of Finance, and why DIMIA had carriage of the construction and not just the preparation of the project in the first place?

Mr Scott-Murphy—My recollection only goes back to November 2003. By then the project had been transferred to Finance, but my understanding of the reasons why that was decided by the government at the time was that the original project was very much a fast track delivery and the cost of producing a fast track delivery was highly uncertain. Government was becoming concerned about the lack of certainty in the out turn cost and so turned to the Department of Finance because we did have some capacity for the delivery of major projects but using a slightly more conventional form of project delivery.

CHAIR—Audit Office, you would have looked at that in your inquiry. What did you find? Why did it go to DIMIA first and not to Finance? Isn't it usual for Finance to do all of that original work?

Mr Boyd—Our understanding is that is not the case. Finance can be asked to take on the responsibility for delivering major construction works, but apart from the Department of Defence, which essentially does its own, most other departments do not do a lot of construction work in and of itself.

CHAIR—No, they do not.

Mr Boyd—As we understand it, Finance do not have a mandate to do all construction delivery projects but can be asked to take on particular projects, and that is what happened with respecifying the project. Part of that was not only to reduce the number of places from 1,200 to 800 and to look at a change delivery method to a more traditional approach with the changed budget but also to move delivery responsibility to Finance as part of that process.

CHAIR—So it would not have been unusual in that time for DIMIA to do it right through.

Mr Boyd—No, it would not have been unusual.

Senator FEENEY—Mr Boyd, in your report you talk about how at least at the same time as the transfer was made the project and its details were becoming subject to questions in estimates and subject to wider political debate. Although you do not come out and say it, it certainly reads as though the transfer occasioned debate in this parliament about the veracity of the project.

Mr Boyd—There was a lot of discussion at that time about various aspects, including within government, and about the fact that the project budget had increased quite markedly compared to what was originally set for it, which was \$242.9 million. From recollection, the most current estimate immediately prior to it being respecified was \$427 million, so it was a very large budget increase. The time frame had moved out from being 39 weeks to 120 weeks, so the project itself, if you like, was not looking as if it was going to be delivered either on time or within budget.

As we understand the records available, those factors led to the fact that not only should be the project itself be respecified but delivery responsibility should also go to an agency such as Finance—I think it was Mr Scott Murphy who was saying that—that does have a capacity there and does deliver projects for other agencies on behalf of the Commonwealth. They are seen as having some expertise in this area, so part of that process was to move the delivery responsibility to Finance, and DIAC—or DIMIA as it then was—would remain as the client.

Senator FEENEY—It was sent to Finance for emergency treatment.

Mr GEORGIU—This is a theme in both the comments of Finance and those of DIMIA—or whatever they are called nowadays—and seems to be implicitly accepted by the audit office. It says:

This project was unique in that it was the first purpose-designed and built Immigration Detention Centre in Australia, and as such there were no established benchmarks with which it could be compared.

That is your comment. While I understand that the Baxter detention centre was not a first purpose design, although I am not sure it was not purpose designed, why weren't there established benchmarks? Apart from its high security areas this centre is very much like Baxter.

CHAIR—Is there a formula?

Mr Scott-Murphy—My understanding was simply that there had not been a designed immigration reception and processing centre, which is what it was originally specified to be. This was the first of its kind. It has subsequently become an immigration detention facility, and there was a distinction between the two.

Mr GEORGIU—There is a hell of a lot of weight being placed on that as an incomparable and unique facility. The detention centre at Baxter is in many respects much the same as Christmas Island.

CHAIR—Ms Wilson, can you elaborate on that?

Ms Wilson—The nature of the work that is undertaken at the centre is unique. It is a processing centre as well as a place where we provide accommodation for clients and activities. There is no facility on the mainland which is used as a processing centre per se as well.

Mr GEORGIU—Can you explain what difference that makes?

Ms Wilson—We take clients all the way through from reception to health, identity and security all within the centre premises. On the mainland we have different arrangements and that certainly makes it unique.

Mr GEORGIU—Unique with respect to not being able to properly estimate cost. Not everything is unique and distinctive. The argument is that you could not assess the cost of this because it was unique. I am saying: on what basis? How unique was it? Why weren't there models which would help you assess the costs? I am disputing your explanation.

CHAIR—Were there similarities between the accommodation at Baxter and the accommodation at Christmas Island? Is there a formula or a plan that could have been used or experience that could have been drawn from?

Ms Wilson—I need to check about Baxter but I think there was already something at Baxter which evolved into a detention centre, so was not purpose built in that way. It was built into a detention centre but I can take that on notice and follow that up.

CHAIR—We would like to know if there are any precedent plans that could have been used to shape this project better.

Mr ADAMS—It is good to be able to compare. On the issue of one building being worth X to build somewhere, if you are going to build it somewhere else—maybe on Christmas Island—there will be a comparison and you might then be able to say, 'The material, the cost of transporting and the other things has to be X, usually there is a way of assessing the cost. We as a committee are trying to look at that in some sense and we do not seem to have any comparisons on it.

Mr Scott-Murphy—I will turn to that question of the order of costs in estimates and what factors might be applied for regional differences. It was certainly a topic that we explored in some detail taking advice from the cost planners. We do not retain estimators within the department, we turn to professional consultants to provide that advice and they draw their information from a very wide range of sources. The information that they drew from included regional differences and differences around the states. There are construction rates that are published by these cost planners to show the sorts of construction indices that are being achieved in different regional centres. Then they apply weighting factors for remote locations.

CHAIR—That information should have been available—is that the point?

Mr Scott-Murphy—Yes, that information was brought to bear in the cost estimates. The unique nature of this project was delivering a detention facility in the environmental conditions evident at Christmas Island. There was no basis upon which they could draw for estimating the sort of variance that you might get for delivering a complex project on Christmas Island. The order of accuracy that they can impart in those estimates is constrained by that lack of data.

Mr ADAMS—Do you understand where I am coming from and my thinking? There is a comparison between building a police station in Tasmania and a police station in Darwin, but

there will be different cost structure because of the different locations. Does the Audit Office look at those sorts of costs and say, 'This is a reasonable comparison with these extra costs for where the location is'?

CHAIR—Given that the first tenders were high in excess of the expected cost, can you tell whether what Mr Adams is raising had a bearing on that?

Mr ADAMS—Could I also add that we know in every state that a square metreage to build something is a laid down platform. A contractor will say, 'This is it,' and then add his extra costs to it. I am finding some of the explanations that we get about these complex things surprising because it is not that complex. There are extra costs for where projects are built but there must be a way of auditing to say, 'This is the normal cost to build something in Y. To build it in X, there is an extra cost.' What is that extra cost? I cannot see it to have a look at it.

Mr Boyd—From our perspective there are two things at play: the budget and the estimates. I think the estimates are what you are referring to, Mr Adams, as to how you go about estimating what a project will cost to construct. The criticism we had was that the original budget which was set when it was respecified was done on what is called order of magnitude in a very short time by the two departments. In many respects a lot of the difficulties which followed were not about the estimates being inaccurate, it was about the project budget when set being insufficient. So what you then had was the estimators, the cost managers and the project managers under pressure to keep their estimates within the budget when that budget was, in our judgment, never likely to be sufficient. You see that over a period of time which was why there was the first budget increase of \$59.3 million. From our perspective, the estimates for some time had been saying 'You won't be able to design and construct this project within the budget.' So the estimates had a degree of accuracy to them. The problem was the budget. Trying to get it within budget was where the problems were arising. That was addressed by the \$59.3 million increase, but the second real increase for the project was \$60 million. A lot of that relates to the fact that, when the project went to tender, the design was not advanced and the documentation was not advanced.

From our perspective, our key message is that that again relates back to the original respecification in that the time frame itself was also quite unrealistic. So people were saying at every stage, 'Can we cut a bit of time here or there?' The problem, as the project managers themselves were saying, is that, while the time you invest up front saves you in the long run, the difficulty here was with the original budget not being enough. That got rectified when you went to market. The estimators were saying, 'You won't get this project within budget.' You went to the market, and guess what: the market said, 'We can't deliver within that budget.' Then the problem was that, because the time frames were so short, the department went to tender before its own strategy said it probably should have. Therefore you had a less mature design on which people were pricing, and that then led to further cost increases.

Mr BRADBURY—That is the issue I want to pick up on, which is the decision to abandon the traditional sequential process in terms of rolling out the construction. I note that in the report there is an extract from the project manager's September 2003 *Brief and design endorsement process* which was prepared for Finance. This is on page 91 of the report. A part of that extract says:

It is anticipated that this process may cause delays. However, with the application of this structured approach, including predetermined hold points and expectations, the delay periods will be minimised. The strategy recognises that delays during the design phases will ultimately cost less in time and money than they will if they occur in the construction phase.

So there was an acknowledgement from the outset that the costs of delay would be greater if they were delays during the construction period as opposed to the design period. Notwithstanding that, we see that a decision was taken to abandon that traditional sequential approach and to have an overlap between the design process and the construction process. My question is: why, after it was acknowledged that that was going to cost more, did that end up being the course of action that Finance decided to take?

Mr Scott-Murphy—There is really only a broad answer that I can provide to that, and that is that the time pressure was quite real. It was not just a matter of saying, ‘We could produce greater certainty in the budget estimate in a more traditional delivery process, but it’s going to take considerably longer to develop the design and provide that certainty.’ So it is about the pressure of completing the facility.

Mr BRADBURY—Can you please outline to me what you mean by the time pressures. What were the constraints under which Finance was operating?

Mr Scott-Murphy—As I said, it was a pressure to complete the facility at the earliest opportunity.

Mr BRADBURY—Where was that pressure coming from?

Mr Scott-Murphy—It was in the relationship between DIMIA—as it was at the time—and Finance. Finance is there to deliver the project, meeting the requirements of the client agency.

Mr BRADBURY—In my experience Finance is pretty good at dancing to its own tune on these matters. How is it that DIMIA had such command and authority here to drive the pace at which Finance was operating?

CHAIR—You might like to comment too, Ms Wilson.

Mr BRADBURY—Are we talking about directions from ministers? As I understand it, Finance was chairing the IDC.

Mr Scott-Murphy—That is correct, yes. We chaired the IDC.

Mr BRADBURY—I am just trying to understand where the pressure was coming from.

Mr GEORGIU—Is there much pressure at the moment to extend the facilities on Christmas Island?

CHAIR—There has been one question asked at this stage.

Mr BRADBURY—I am sure that subsequent reports will detail those matters—

Mr GEORGIU—I would like to believe it.

Mr BRADBURY—but we are dealing with this report before us, and I am trying to get to the bottom. It is very clear. There is a very clear logic that underpins the question. It has been acknowledged that approaching the delivery of this project with some overlap between design and construction was going to cost more money. Generally, Finance takes it as its responsibility to try and ensure that projects are delivered at the least possible cost and as closely as possible to the specifications that are required. I am being told—the committee is being told—that there were time pressures. I want to be very clear about what those time pressures were and specifically who they were coming from and why the authority of those time pressures was, in Finance’s view, so clear that it proceeded down a path that it knew was going to cost the taxpayer more dollars.

Mr GEORGIU—And I would like to know: are there pressures on departments now to extend Christmas Island?

CHAIR—Before that, Mr Georgiou—Mr Bradbury, you were not asking that on notice; you were asking for an answer now?

Mr BRADBURY—No, I am asking that question now.

CHAIR—We will let that question be answered now.

Mr BRADBURY—It should not come as a surprise to anyone, having read the report.

Mr Scott-Murphy—I can tell you that there were no ministerial directions given in relation to the delivery of the project. So it was not by direction; it was by agreement between the client agency, then DIMIA, and Finance as the delivering agency. But we are always trying to balance the competing pressures of time and cost and scope. They are interlinked. In this case, the urgency of completing the facility was deemed, by agreement between the two departments, to be significant, and so the flexibility, if you like, to address that time pressure is translated into design and into delivery methodology. But I have no more detail I can add to that.

Mr BRADBURY—I appreciate that there can be a balancing between cost considerations and time demands, but I am not clear on what the demands driving the timetable were. Were there people waiting to be accommodated in this facility? Were there people who needed to be processed in this facility? What are the drivers? I appreciate that there was agreement between the departments, but I am trying to get to the bottom of the public interest test here. What was it that was so important about the timetable that led to this agreement that has essentially meant that taxpayers had to fork out more money than they otherwise would?

Mr Scott-Murphy—That is something that DIAC can address.

Ms Wilson—I am not sure if I can answer that specifically other than to say that the government made a decision in March 2002 to build a centre on Christmas Island, and now we are talking about when it got transferred to Finance in February 2003. So there had already been a 12-month gap, and my perspective would be that that had led to increased pressure to actually get the work done. Because we had already had that period of work that had taken place on a

1,200-bed facility and then we had rescaled that to an 800-bed facility, there would have been pressure at that time to redesign according to the 800-bed capacity and get the job done.

Mr BRADBURY—But were there a queue of people waiting to be processed or did people need to be accommodated? If you said to me that there were 300 people needing to be accommodated, and that queue was growing, then I could appreciate the urgency. But, from what you have just said to me, the urgency relates to the fact that a decision to build the centre had been taken and it had taken a little time to get to the point where it was going to be—

Mr GEORGIU—They were anticipating the influx in 2009, David! That is what they were doing. They wanted to make sure that, when thousands of people came, there was something there. Is that a good enough answer? God.

CHAIR—Ms Wilson, did you want to answer?

Mr BRADBURY—Well, there is no suggestion that it would not have been completed in time, notwithstanding that. But I want an answer to the question.

CHAIR—Ms Wilson, was there an imperative in the department? The question is: what was the situation in terms of people arriving and needing processing and detention?

Mr BRADBURY—Or were there pressures of that sort? Because I do not understand what the pressures were and how they could have been of such significance that we would saddle taxpayers with such an additional burden.

Ms Wilson—My understanding was we had other facilities in which to house clients at the time. We certainly did not open it as soon as it was built—as soon as it was ready to use, if you understand what I am saying. We had another facility, which was the Phosphate Hill facility on Christmas Island, which had quite low occupancy at the time. So that would be my general understanding of the situation at the time.

Mr BRADBURY—Why would Finance allow itself to be bullied into an agreement where, the Audit Office suggests, the cost impact of going down that path—

Mr Boyd—We assess that two-thirds of the \$60 million budget increase essentially related to shortening the design phase and going too soon. The original budget increase was \$59.3 million. So all up there was a \$119.3 million budget increase. The first \$59.3 million we assess as relating to the original budget being inadequate to reflect the market conditions. There was a further \$60 million increase which related to a number of things, such as \$6.4 million to the port crane breaking down. But most of that, nearly \$40 million, related to issues to do with going to tender before the design was finished and then entering into construction still without a completed design.

Mr BRADBURY—So that is \$40 million.

Mr Boyd—Correct.

Mr BRADBURY—So the \$40 million question is as follows. Going down that path was clearly perceived to be expediting the delivery of the project—and I think you could question whether that was actually the case in the end or not. Why did Finance agree to go down that path, given that they knew it was going to cost money and in the end it did cost an extra \$40 million? I want an answer that is better than, ‘Because DIMIA asked us to.’

Mr BRIGGS—You want the answer that you’re looking for.

CHAIR—Mr Briggs, we do not do this. Let us go on.

Mr Scott-Murphy—I am not sure that I can add more clarity in addressing that question other than to say it was a balance between urgency to complete a project and how that was agreed between the two departments and the delivery methodology that we adopted to address urgency, scope and the delivery method. That is simply the case. There was no direction by ministers. It was recognising that the client agency, DIMIA at the time, had a real need to create a facility—

Mr BRADBURY—But why did they have a real need?

CHAIR—I think that has been answered.

Mr GEORGIU—Could I ask a question. Firstly, when was the centre ready for use?

Mr Scott-Murphy—It reached the stage of practical completion in October 2007. Of course, we went through the defects and liability period.

Mr GEORGIU—When was it all signed off and delivery taken?

Mr Scott-Murphy—Indeed.

Mr GEORGIU—That was 2007—or was it later than that?

Mr Scott-Murphy—There were a number of issues during the defects and liability period that were addressed to bring the centre to a fit for purpose condition.

Mr GEORGIU—When was it fit for purpose?

Ms Wilson—I understand it was April 2008 that it was handed over to Immigration.

CHAIR—And it was accepted by Immigration? I just want to know that it was absolutely complete; you had addressed all those problems or signalled the problems.

Ms Wilson—That is right. There were a couple of things—

Mr Scott-Murphy—It was certainly operational at that time.

Mr GEORGIU—When did the first detainee go in?

Ms Wilson—On 21 December 2008.

Mr BRIGGS—And it is full already.

Mr GEORGIU—When was the capacity of the detention centre exhausted?

Ms Wilson—There is still capacity in the centre.

Mr GEORGIU—How full is it?

Ms Wilson—As at yesterday there were 967 clients—

Mr GEORGIU—I thought its capacity was 800.

Ms Wilson—It was initially built for 800 and then we extended capacity by—

Mr GEORGIU—When did you extend capacity?

Ms Wilson—I am just trying to be exact. In the month of October we started extending capacity. By extending capacity, I mean—

Mr GEORGIU—When did you reach 800?

Ms Wilson—It is hard to say, Mr Georgiou, because we have people coming on and off the island.

Mr GEORGIU—Do your best. I appreciate that. When did you reach between 750 and 800? It is quite important because there was a point being made here about there being no need for expeditiousness and promptness. What we have here is, on an expedited basis, a thing that was handed over in April 2008. The first person went in on 21 December. It was exhausted within six months.

CHAIR—That is not what was said.

Mr GEORGIU—In October they had to start extending it because it was full. But does that explain why—and people know where I stand on these issues generally—the department of immigration was concerned to get something up and running so that the Labor Party could fill it up?

Mr BRADBURY—Could I ask another question?

CHAIR—Just answer the question first, Ms Wilson. It would be polite.

Ms Wilson—Just to clarify, the capacity at North West Point was increased in September. It was in about the middle of September that we reached 800 for the first time.

CHAIR—And the capacity increased in September to how much?

Ms Wilson—To 1,088 beds at the North West Point centre.

Mr GEORGIU—What was the cost of that?

CHAIR—That is not the subject of this audit.

Mr GEORGIU—I am just asking—

CHAIR—I am happy to have it put on notice, but it is not a subject of this audit.

Mr GEORGIU—There has been a whole stream of questions indicating that somehow the department of finance and the department of immigration were complicit in trying to finish this.

CHAIR—I am very happy for you to take that question on notice, but it is not a subject of this audit.

Mr GEORGIU—This was finished and it was full immediately.

CHAIR—Deputy Chair, I think you are putting words into everyone's mouth at the moment. I am very interested in the period after March, when it was handed over and you had done all your scrutiny of it. Were there works that continued after March because of defects?

Mr Scott-Murphy—Yes, there were some works that continued after March.

CHAIR—Are they complete now or are they ongoing?

Mr Scott-Murphy—There is one remaining item on the defects and liability list.

CHAIR—What is that?

Mr Scott-Murphy—It is to do with a surface treatment in wet areas, an epoxy coating, which I understand will be complete within the next two weeks.

CHAIR—That is the final defect, but I assume there have been emerging ones since then.

Mr BRIGGS—In relation to the management of the project, who was the project manager in Finance? Which area did it rest in? Who had responsibility for the management of this project?

Mr Scott-Murphy—It rests within my division, the Property and Construction Division, in the department of finance. We have carriage and responsibility for the delivery of the project. We have had two branch managers in the period that we have been delivering that.

Mr BRIGGS—So ultimately you have been responsible for the management of the overall project since you took over from DIMIA, now DIAC, in 2003? Is that right?

Mr Scott-Murphy—Yes. The project was transferred to the department and to this division in February of 2003.

Mr BRIGGS—Without trying to apportion blame in relation to the criticisms that the Auditor-General made on the undercosting of the original budget, the \$59.8 million—

Mr Boyd—\$59.3 million.

Mr BRIGGS—In relation to the \$59.3 million underestimation of the contract, who was at fault in developing those contracts?

Mr GEORGIU—Who is responsible?

Mr BRIGGS—Yes, who is responsible? That is a good way to put it.

Mr Scott-Murphy—Yes, I would prefer the responsible tag to the fault tag. We do accept, as I have said in previous evidence to the Public Works Committee, responsibility for the order of accuracy that is presented in decisions that are made. You will see in our response to the ANAO audit of this project that Finance have agreed with each of the recommendations and that we have taken a number of steps to improve the accuracy of estimates at two separate stages of approvals. We have embraced the Gateway Review process to give an independent assessment of the readiness at the gates for the delivery process. We have developed internal guidance material to assist our project teams to ensure that we get better quality results going forward.

Mr BRIGGS—That's good. Referring particularly to this Auditor-General's report and the recommendations which you say you have accepted, I presume that a project doubling this centre would be run by Finance from the very beginning rather than by DIAC in the first stage and then handed over. Would that be right?

Mr Scott-Murphy—As Mr Boyd has pointed out there is no mandate for Finance to deliver projects—

Mr BRIGGS—Let me ask it another way. Is the new project that the government has announced, the increased sizing of the capacity of the detention centre, being run by your division?

Mr Scott-Murphy—No, it is not.

Mr BRIGGS—Is it being run by DIAC?

Mr Scott-Murphy—It is being run by DIAC.

CHAIR—There was no post-implementation review at the time of the audit. Has that been done now in terms of lessons learned and what we might do or not do in the future?

Mr Scott-Murphy—We have not had a formal, lessons learned review of the Christmas Island project, though it is a requirement for projects that we bring forward. That has now been embraced in our delivery methodology and our better practice guide. That ties all of the project consultants and contractors into an agreement to participate in a postdelivery review of the work. It was not a requirement at that time.

CHAIR—You have upgraded your better practice guide as a result of this project, but there is no separate document of a full implementation review that guided the changes to the better practice guide.

Mr Scott-Murphy—That is correct. There has been no formal, lessons learned workshop for the Christmas Island project. The main reason for that is that there was no contracted requirement for the participants to be part of that process. It was not a requirement when they entered into the contract.

CHAIR—I find that poor process.

Mr BRIGGS—What seems quite strange, though, given that Finance has had a long period of experience with this project, is that you would not go back to Finance when presumably there will be definite pressure this time to get increased facilities because of the current circumstances. Ms Wilson, are you confident that the lessons learned out of this Auditor-General's report and the mistakes made on the way through will not be repeated in the next phase of the Christmas Island detention centre? Mr Boyd, I would like to get your opinion on that, too.

Ms Wilson—The additional capacity on North West Point is largely being achieved through demountables. It is not a permanent construction, so it is very different to what we have just had a discussion about. Initially, we are putting in accommodation for an additional 200 clients in co-location with the North West Point centre.

Mr BRIGGS—Additional to the 1,088?

Ms Wilson—That's right. That is being done by using the old Baxter and Woomera demountables—you have probably seen the press on that—which we had passed to FaHCSIA for use.

Mr GEORGIU—What is the cost of the upgrade?

Ms Wilson—The demountables have no value. It is just a book transfer because they were ours. We gave them to FaHCSIA, and they have given them back to us. There are transport and installation costs, and I can take those on notice if you like. There is no actual exchange of money for the demountables.

Mr GEORGIU—That makes it different from the original.

Ms Wilson—That's right.

Mr BRIGGS—But I presume there would still be preparation for the area that you are putting the demountables on. Concerns were raised by Senator Feeney and Mr Adams earlier about the environmental aspects of the buildings and so forth. It is not just a matter of *I Dream of Jeannie*, wiggle your nose and put a couple of demountables onto Christmas Island. I would hope you would be doing preparation work for them to be moved in.

Ms Wilson—We are doing groundwork and there is an environmental impact statement on the centre, including for the block of land where we are putting the demountables because we used the space previously for storage. The land has already been cleared and has been subject to an

environmental impact statement. We are working through all the clearances with the local council as we always do. That is the work we are doing, although it is not a fixed structure but in the form of demountables.

Mr BRIGGS—So there are no plans at this stage to turn those demountables into fixed structures?

Ms Wilson—No.

Mr BRIGGS—They will just increase the size by moving in demountables?

Ms Wilson—That is correct.

Mr GEORGIU—Will they be inside the existing perimeter?

Ms Wilson—Just on the outside, and we will be putting another fence around them, but clients there will have the use of facilities within the existing centre.

Mr GEORGIU—Don't bother with the fence; they are not going to escape.

CHAIR—Mr Scott-Murphy, have protocols been written for future whole-of-government contracts, for whole-of-government management? Attorney-General's have sat here and said nothing at this stage, and I will ask them their advice on whole-of-government approaches to contract development—and of course they took over from DOTARS. One of the reasons I ask is that the crane issue blew out by \$6 million and a decision was taken by, I think, DOTARS at the time. That decision was not taken by your department. How did that all happen, with a cost of \$6 million? What was happening when all these agencies should have been working together or you were taking the lead, and how are we addressing that for the future in terms of protocols for whole-of-government management?

Mr Scott-Murphy—We have certainly embraced that in our delivery methodology for current projects and future projects.

CHAIR—How will I know that? Is there a protocol manual?

Mr Scott-Murphy—We are developing a series of guidance documents that will go to all of the FMA agencies to develop this better practice and we will issue that guidance for the future delivery of projects. There are a series of five documents that are nearing completion now that will provide that.

CHAIR—So who made the decision to make a \$700,000 saving, which then ended up being a \$6 million impost?

Mr Boyd—That decision was made in the then Department of Transport and Regional Services, and this is one of the issues we were discussing earlier. While Finance is responsible for the facility construction budget, the overall project budget included amounts for infrastructure, and so, when DOTARS got, if you like, its bucket of money to look after the infrastructure works, the decision was taken then—to save some money from the infrastructure

budget—that by not putting in a new pedestal but upgrading the existing pedestal it would be \$700,000 less expensive. But, as we point out in the report, that actually then risked the broader project in terms of the logistical issues for Finance delivering materials and so forth on-site.

CHAIR—So they did not consider the on-costs that would flow and further delay the project.

Mr Boyd—That is right. And Finance was not privy to those considerations, to the fact that a decision was being made within the other department to save some money against its budget—because the original budget, as put together, was actually for a new pedestal.

CHAIR—Did they have to consult with the other project managers at all?

Mr Boyd—The governance arrangements did not require that. I think that is what Mr Scott-Murphy is referring to. He is trying to get governance arrangements which make it harder for that to occur in the future.

Mr GEORGIU—Why did they decide to take the original thing away and relocate it? Was there a reason?

CHAIR—At this stage I would ask if we can put questions on notice and if you could cooperate by responding promptly to those. Thank you very much for your evidence at the hearing today and for your attendance. I know it has not been easy. We can only hope that we do not revisit this too often—excepting perhaps an excellent audit report some time! I declare this hearing closed.

Resolved (on motion by **Mr Briggs**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.58 pm