

Construction of the Christmas Island Immigration Detention Centre

Audit Report No. 43, 2008-09

Opening Statement by Peter White, Group Executive Director

JCPAA Review 18 November 2009

1. Thank you Chair.
2. The original decision to urgently construct a new purpose built permanent immigration detention centre on Christmas Island had been made in March 2002. That project was approved for a 1200 person facility to be built in 39 weeks for an indicative budget of \$242.9 million. After the project estimate increased to \$427 million with a delivery period in the order of 120 weeks:
  - the construction contract was terminated;
  - the project was respecified to an 800 place facility at a forecast estimate of \$276.2 million; and
  - delivery responsibility was transferred from the then Department of Immigration, Multicultural and Indigenous Affairs (DIMIA, now the Department of Immigration and Citizenship – DIAC).
3. The audit focused on the Christmas Island Immigration Detention Centre (CIIDC) project as respecified in 2003, and examined all aspects of the project from planning through to completion, including processes associated with the referral to the Public Works Committee (PWC – the original project was not examined by the PWC due to its urgency, but the respecified project was examined by that Committee). The audit also had regard to the original project managed by DIMIA, and included an

examination of the construction of infrastructure services and staff housing. The objective of the audit, in examining the construction of the CIIDC, was to assess:

- the adequacy of the planning and delivery processes for the project;
- the value-for-money achieved in the delivery of the project, including with regard to the suitability of the centre for its intended purpose; and
- the extent to which the *Public Works Committee Act 1969* (PWC Act) and approved procedures have been complied with.

4. The CIIDC was a more difficult construction project than many others undertaken by the Australian Government. It involved numerous challenges and risks including the isolation of Christmas Island, shipping being adversely affected by the swell season (which typically runs for five months from November to March), the absence of a wharf suitable for ships to berth alongside and the facility being constructed on reclaimed mining land that was surrounded by a National Park. In addition, the construction works were of considerable scale (the CIIDC facility comprises more than 50 buildings and associated landscaping works) with an ambitious design and delivery timetable, and a tight budget.
5. The CIIDC facility has been completed, has been accepted by DIAC as fit for its purpose and is now operational. However, this result has come at a considerably greater cost than budgeted at the time the project was respecified and over a substantially longer timeframe than had been expected. In this context, the audit has underlined several important messages for agencies to bear in mind when managing future construction projects:

- The first is that it is only after sufficient scoping and planning work has been undertaken that reliable estimates and delivery timeframes can be established.
- The second message relates to the importance of managing a project as a whole when individual agencies have separate budgets for sub-parts that are interdependent.
- Thirdly, it is important that agencies manage projects by developing and following delivery strategies that reduce identified risks to acceptable levels.

6. To capture both industry and its own experience in managing construction projects, Finance has developed a better practice guide to the delivery of major capital works, which at the time of the audit was being updated. The first draft of this guide was introduced in July 2005, during the construction phase of the CIIDC project. Where the guide has adequately addressed matters identified by this audit as requiring attention, this has been recognised (in lieu of an ANAO recommendation being made). ANAO has made six recommendations relating to:

- greater emphasis being given in the management of construction projects to the requirement to provide the PWC with advice on the extent and nature of project uncertainties, and their potential effect on the project budget;
- the importance of infrastructure works being effectively integrated with the facility construction work, particularly where different Australian Government agencies are responsible for the infrastructure and facility works;

- agencies working to implement planned project delivery strategies and, where departures are proposed, providing decision-makers with a comprehensive assessment of risks and how they can best be managed; and
  - measuring construction projects' performance, including through formal post-project 'lessons learned' exercises, as this is central for ensuring that planned improvements in cost, time and quality are achieved and as well as for identifying potential for improved approaches.
7. We understand that steps are currently being taken to increase the capacity of the Christmas Island Immigration Detention Centre. In this respect, the PWC has been notified of a medium works project (in two stages) to be delivered by DIAC that involves demountable accommodation being installed on-site. It would seem reasonable to expect that the lessons learned in the construction project delivered by Finance, as well as the integration of additional capacity into a facility designed for 416 detainees with 384 overflow contingency places in a more basic standard of accommodation, will be of value to the agencies responsible for this additional work. These lessons would include those relating to the logistical challenges of work on Christmas Island, seasonal factors (swell season typically runs from November to March) and the capacity of the existing facility (sewer, water, power etcetera) to service more detainees than it was designed for.
8. Finally, to assist the Committee in its inquiry, I have with me today two members of the audit team, Brian Boyd, Executive Director, who oversaw this audit, and Nicola Rowe, the Audit Manager.