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**Australian Government**  
**Department of Home Affairs**

**Submission**

For information  
PDMS Ref. Number MS19-003075

**Minister for Home Affairs**

**Subject**      **Internal Audit Report - Review of the Tendering, Procurement and Contract Management Processes Associated with Paladin Holdings PTE Ltd**

**Timing**      *At your convenience*

**Recommendations**

That you:

1. note the internal audit report *Review of the Tendering, Procurement and Contract Management Processes Associated with Paladin Holdings PTE Ltd.*

**noted** please discuss

**Minister for Home Affairs**

Signature.....

Date: **17.10** /...../2019

**RECEIVED**

01 OCT 2019

Minister for Home Affairs

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Minister's Comments				
<b>Rejected</b> Yes/No	<b>Timely</b> Yes/No	<b>Relevance</b> <input type="checkbox"/> Highly relevant <input type="checkbox"/> Significantly relevant <input type="checkbox"/> Not relevant	<b>Length</b> <input type="checkbox"/> Too long <input type="checkbox"/> Right length <input type="checkbox"/> Too brief	<b>Quality</b> Poor 1.....2.....3.....4.....5 Excellent <b>Comments:</b>

### Key Issues

1. The Department of Home Affairs recently undertook an internal audit *Review of the Tendering, Procurement and Contract Management Processes Associated with Paladin Holdings PTE Ltd.*
2. The internal audit report was endorsed by the Department's Audit Committee on 13 September 2019.
3. The internal audit assessed the tendering, procurement and contract processes the Department undertook to engage Paladin Holdings for the garrison services contract. This included compliance with the Commonwealth Procurement Rules (CPRs), compliance with the Department's contract management policies, procedures and framework, and whether the Department appropriately documented and addressed key risks.
4. In relation to this scope, internal audit found the Department complied with the CPRs, and maintained sufficient and appropriate evidence to demonstrate compliance with its contract management policies, procedures and framework. Internal Audit also found the Department produced a Risk Management Strategy and Plan for the procurement process and conducted a risk assessment over the contract.
5. A number of areas were also noted where the Department's processes could have been improved. These include, but are not limited to, record keeping with regard to accountable and transparent decision making, assessing financial strength, and consideration of context as part of risk management.
6. Internal Audit made one recommendation:
  - The Department should gain a comprehensive understanding of the financial arrangements/sub-contracting arrangements between Paladin and other organisations such as Peren, Peheu and Hupat. This should include understanding the financial value of such arrangements and whether the Department should have been asked by Paladin to approve these arrangements.

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7. The Department is actively addressing this recommendation.
8. On 28 March 2019, the Auditor-General commenced an audit into the Procurement of Garrison Support and Welfare Services as part of the Australian National Audit Office's (ANAO) annual audit work program. Fieldwork commenced in April, and the ANAO is accepting contributions to this audit until 1 January 2020. The ANAO advised the Department that the estimated tabling date is February 2020 (noting ANAO website has not been updated following an extension for public contributions and states due to table January 2020).

### Background

9. In February 2019 the Department engaged Ernst and Young (EY) to undertake an internal audit into the tendering and procurement processes associated with Paladin Holdings PTE Ltd. The objective of the audit was to assess the tendering and procurement process that the Department undertook to engage Paladin Holdings for the garrison services contract including:
  - compliance with the Commonwealth Procurement Rules (CPRs);
  - compliance with the Department's contract management policies, procedures and framework; and
  - whether the Department appropriately documented and addressed the key risks relating to the tendering and procurement process.
10. There has been significant interest in the conduct of this audit, and the content of draft reports. This included a number of FOI requests and a Notice of Motion Order (21) for Production of Documents – Department of Home Affairs – Paladin Contracts (Order for Production), which was moved by Senators Keneally and Griff on 4 July 2019.
11. On 23 August 2019, a draft version of the report (with minor redactions) was tabled in the Senate in response to the Order for Production. Tabling of the draft report generated significant media interest across a range of issues.
12. On 12 September 2019 a special meeting of the Department's Audit Committee considered a revised draft of the audit report, which following some further amendments, was endorsed by the Audit Committee on 13 September 2019.
13. Internal audit found the Department complied with the CPRs, and maintained sufficient and appropriate evidence to demonstrate compliance with its contract management policies, procedures and framework. Internal Audit also found the Department produced a Risk Management Strategy and Plan for the procurement process and conducted a risk assessment over the contract.
14. A number of areas were also noted where the Department's processes could have been improved. These include, but are not limited to, record keeping with regard to accountable and transparent decision making, assessing financial strength, and consideration of context as part of risk management.

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15. Internal Audit made one recommendation:
  - The Department should gain a comprehensive understanding of the financial arrangements/sub-contracting arrangements between Paladin and other organisations such as Peren, Peheu and Hupat. This should include understanding the financial value of such arrangements and whether the Department should have been asked by Paladin to approve these arrangements.
16. The Department is actively addressing this recommendation.
17. The ANAO previously conducted an audit into the *Offshore Processing Centres in Nauru and PNG – Contract Management of Garrison Support and Welfare Services* in 2016-17 and published the report on 17 January 2017. The report made 3 recommendations which have been implemented and closed by the Department.
18. On 28 March 2019 the Auditor-General advised the Secretary of his decision to commence an audit from the ANAO's 2018-19 annual audit work program into the Procurement of Garrison Support and Welfare Services.
19. The objective of the audit is to assess whether the Department appropriately managed the procurement of garrison support and welfare services for immigration processing centres.
20. This audit will incorporate the procurement of Paladin Holdings PTE Ltd to provide garrison services in Papua New Guinea.
21. Fieldwork commenced in April, and the ANAO is accepting contributions to this audit until 1 January 2020. The ANAO advised the Department that the estimated tabling date is February 2020 (noting ANAO website has not been updated following an extension for public contributions and states due to table January 2020).

### Consultation – internal/external

22. Nil.

### Consultation – Secretary

23. The Secretary has not been consulted on the content of this submission.

### Client service implications

24. Nil.

### Sensitivities

25. Nil.

### Financial/systems/legislation/deregulation/media implications

26. It is anticipated that the endorsed final report will soon be released by the Department. When that occurs there will be media interest in the content of the report, notwithstanding that there has already been significant media coverage of the previous draft report.

**Attachments**

**Attachment A** Review of the Tendering, Procurement and Contract Management Processes Associated with Paladin Holdings PTE Ltd

<p><b>Authorising Officer</b></p> <p>Cleared by:</p> <p>s. 47F(1) Chief Audit Executive Integrity, Security and Assurance Division</p> <p>Date: 26 September 2019 Ph: s. 22(1)(a)(ii)</p>
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**Contact Officer** s. 22(1)(a)(ii) Assistant Secretary Audit and Assurance, Ph: s. 22(1)(a)(ii)

**Through**

**CC** Secretary  
Chief Operating Officer  
Deputy Secretary Policy  
Commander JATF OSB

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