

Chapter 5

The management of expenses associated with offshore processing

5.1 This chapter will outline both the costs associated with offshore processing, and some of the concerns which have been raised in relation to the management of public funds expended pursuant to the policy.

Offshore processing costs

5.2 The administration of Australia's offshore processing scheme represents a very significant taxpayer expense. In accordance with the Memorandums of Understanding (MOUs) between Australia, the Republic of Nauru (Nauru) and Papua New Guinea (PNG), the Australian Government bears all costs associated with the operation of the relevant Regional Processing Centre (RPC).

5.3 The MOU between the Governments of Australia and Nauru states that:

The Commonwealth of Australia will bear all costs incurred under and incidental to this MOU as agreed between the Participants. If this requires additional development of infrastructure or services, it is envisaged that there will be a broader benefit for communities in which those settled are initially placed.¹

5.4 The MOU between the Governments of Australia and PNG states that:

The Government of Australia will bear all Costs incurred under this MOU.

Separate to the Costs incurred for the specific operation of this MOU, the Participants will develop a package of assistance and other bilateral cooperation, which will be in addition to the current allocation of Australian development cooperation assistance to PNG, and taking into consideration priorities which are consistent with the revised PNG-Australia Partnership for Development (endorsed by both Governments on 12 October 2011). This includes specific measures agreed to by Participants through the Joint Understanding between Australia and Papua New Guinea on Further Bilateral Cooperation on Health, Education and Law and Order, agreed on 19 July 2013.²

5.5 In 2015, the Select Committee on recent allegations relating to conditions and circumstances at the Regional Processing Centre in Nauru (select committee)

1 *Memorandum of Understanding between the Republic of Nauru and the Commonwealth of Australia, relating to the transfer to and assessment of persons in Nauru, and related issues*, 29 August 2012, cl. 6.

2 *Memorandum of Understanding between the Government of the Independent State of Papua New Guinea and the Government of Australia, relating to the transfer to, and assessment and settlement in, Papua New Guinea of certain persons, and related issues*, 6 August 2013, cl. 6–7.

undertook a detailed analysis of the costs associated with the operation of the Nauru RPC.³

5.6 The estimated future and actual expenses for the Department of Immigration and Border Protections (the department's) Irregular Maritime Arrival (IMA) Offshore Management program are outlined across the Portfolio Budget Statement (PBS) papers:

Financial Year	Estimated expenses \$	Estimated actual expenses \$
2013–14		721,016,000 ⁴
2014–15	826,713,000 ⁵	912,631,000 ⁶
2015–16	810,786,000 ⁷	1,078,064,000 ⁸

5.7 The department has a budget of \$880,509,000 for the IMA Offshore Management program in the 2016-17 financial year.⁹ The 2016–17 PBS indicates that in the 2017–18, 2018–19 and 2019–20 financial years, the costs associated with the program are expected to decrease significantly, with forward estimates of below \$400 million per year.¹⁰

5.8 Further expenses not categorised under the IMA Offshore Management program are nevertheless associated with offshore processing, and Australia's broader border defence policy. In the 2014–15 PBS, the department noted a number of government measures which had been announced since the 2013–14 Mid-Year Economic and Fiscal Outlook (MYEFO), including the allocation of:

- approximately \$71 million in additional funding for 'Regional Cooperation Arrangements' in the 2014–15 and 2015–16 financial years;¹¹

3 Select Committee on recent allegations relating to conditions and circumstances at the Regional Processing Centre in Nauru (Select committee), *Taking responsibility: conditions and circumstances at Australia's Regional Processing Centre in Nauru ('Nauru RPC')*, August 2015, pp. 50–57.

4 DIBP, *2014–15 Portfolio Budget Statement (PBS)*, p. 40.

5 DIBP, *2014–15 PBS*, p. 40.

6 DIBP, *2015–16 Portfolio Budget Statement ('2015-16 PBS')*, p. 34.

7 DIBP, *2015–16 PBS*, p. 34.

8 DIBP, *2016–17 Portfolio Budget Statement ('2016-17 PBS')*, p. 27.

9 DIBP, *2016–17 PBS*, p. 27.

10 DIBP, *2016–17 PBS*, p. 27.

11 DIBP, *2014–15 Portfolio Budget Statement ('2014-15 PBS')*, p. 17.

- approximately \$281 million in expense measures to support rapid transfers and Operation Sovereign Borders in the 2014–15 and 2015–16 financial years, with this amount reducing to approximately \$95 million across the 2016–17 and 2017–18 financial years;¹²
- approximately \$28 million in capital measures to support rapid transfers and Operation Sovereign Borders in the 2014–15 and 2015–16 financial years, with this amount reducing to approximately \$1.8 million in the 2016–17 financial year;¹³
- approximately \$64 million to renegotiate major service contract providers in the 2014–15 and 2015–16 financial years, with this amount reducing to approximately \$19 million across the 2016–17 and 2017–18 financial years.¹⁴

5.9 In September 2016, UNICEF Australia and Save the Children Australia asserted that, according to their analysis, the total financial cost from 2012–16 of the offshore processing, mandatory onshore detention, boat turn backs and other programs, was \$9.6 billion.¹⁵ They also submitted that the true cost is likely to be even greater, arguing that additional costs should be included, such as the cost of reviews and inquiries, the work of the Australian Human Rights Commission (AHRC), the cost of defending litigation, and any compensation payment made in relation to these policies.¹⁶

5.10 The department advised that, at March 2017, in the case of PNG, operating costs for the 2016–17 financial year (to date) were \$177 million, and \$165 million in the case of Nauru.¹⁷ Department Secretary Mr Michael Pezzullo advised that the department is funded to expend approximately \$1 billion per year to provide services at the RPCs, and that this cost had been 'fairly constant' since the asylum seekers in question were transferred to RPCs for processing.¹⁸ He also submitted that, had boats with asylum seekers continued to arrive in Australia, the department would have incurred approximately \$11 billion in costs.¹⁹

5.11 Submitters to this inquiry raised general concerns about the high level of expenditure associated with administering the RPC scheme. The Josephite Justice Office (JJO) echoed these concerns, arguing that the outsourcing of services 'has facilitated the expenditure of public money, and the implementation of public policy,

12 DIBP, *2014–15 PBS*, p. 19.

13 DIBP, *2014–15 PBS*, p. 20.

14 DIBP, *2014–15 PBS*, p. 19.

15 UNICEF Australia and Save the Children Australia, *At what cost? The human, economic and strategic cost of Australia's asylum seeker policies and the alternatives ('At what cost?')*, September 2016, p. 4.

16 Unicef Australia and Save the Children Australia, *At what cost?*, September 2016, p. 4.

17 DIBP, response to question on notice, 15 March 2017 (received 4 April 2017).

18 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 10.

19 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 10.

without any of the restraints and scrutiny that normally limit public sector behaviour'.²⁰ Amnesty International argued that the expenditure would be better directed towards measures which ensure that Australia's asylum system is 'an effective tool for the protection of refugee rights', rather than undermining those rights.²¹ The Australia Council for International Development (ACFID) considered the high cost of offshore processing policies in relation to the expenditure on Australian aid.²² It noted that, while \$9.6 billion was being expended on these policies, Australia's total ODA has fallen to \$3.8 billion, being equivalent to 23 cents per \$100 of Gross National Income.²³

The provision of aid to Nauru and PNG

5.12 While not directly connected to the operation of RPCs, the provision of Australian aid to both Nauru and PNG is a relevant consideration.

5.13 The Department of Foreign Affairs and Trade (DFAT) estimates that it will provide \$25.5 million in official development assistance (ODA) to Nauru in the 2016-17 financial year, and that this will include an estimated \$21.2 million in bilateral funding to Nauru.²⁴ It explained that aid provided to Nauru had helped to support improvements to public sector management, infrastructure, education, training and health, including the redevelopment of Nauru's hospital.²⁵ DFAT explained that Australia's aid commitments in Nauru remain irrespective 'of the work that might be underway in regard to resettlement'.²⁶

5.14 DFAT explains that it will provide an estimated \$558.3 million in ODA to PNG in the 2016-17 financial year, and that this will include an estimated \$477.3 million in bilateral funding to PNG.²⁷ It states that its aid program objectives include the promotion of effective governance, enabling economic growth, and enhancing human development.²⁸

20 Josephite Justice Office (JJO), *Submission 20*, p. 6.

21 Amnesty International, *Submission 6*, Attachment 1, p. 4.

22 Australia Council for International Development (ACFID), *Submission 45*.

23 ACFID, *Submission 45*, p. 2.

24 Department of Foreign Affairs and Trade (DFAT), *Overview of Australia's aid program to Nauru*, dfat.gov.au/geo/nauru/development-assistance/Pages/development-assistance-in-nauru.aspx (accessed 2 March 2017).

25 DFAT, *Annual Report 2015-16*, p. 26.

26 Mr Daniel Sloper, First Assistant Secretary, Pacific Division, DFAT, *Committee Hansard*, Friday 11 November 2016, p. 30.

27 DFAT, *Overview of Australia's aid program to Papua New Guinea*, dfat.gov.au/geo/papua-new-guinea/development-assistance/Pages/papua-new-guinea.aspx (accessed 2 March 2017).

28 DFAT, *Overview of Australia's aid program to Papua New Guinea*.

Audit of the procurement of garrison support and welfare services

5.15 In September 2016, the Australian National Audit Office (ANAO) published a performance audit of the department in relation to the procurement of garrison Support and welfare services in Nauru and PNG (Procurement Audit).²⁹ The purpose of this audit was to assess whether the department had appropriately managed the procurement of garrison support and welfare services at the RPCs on Nauru and Manus Island, and to assess whether the processes adopted met the requirements of the Commonwealth Procurement Rules (CPRs).

5.16 The report was highly critical of the department's management of the procurement of relevant services.

5.17 In relation to the tender and procurement process, the ANAO concluded that:

- the management of procurement activity for garrison support and welfare services at the RPCs fell 'well short of effective procurement practice', and there were 'serious and persistent deficiencies' in all three phases of procurement activities: establishing the centres, consolidating contracts, and achieving savings through an open tender process;³⁰
- the department used approaches which reduced competitive pressure and significantly increased the price of services without government authority to do so;³¹
- the department decided not to consider continuing with the existing provider of garrison services (G4S) but did not clearly document its reasons for doing so;³²
- the conduct and outcomes of the tender processes reviewed highlight procurement skill and capability gaps among departmental personnel at all levels;³³ and
- the outcome and conduct of the tender process suggest that the officers involved in the procurement process did not have the appropriate skills,

29 Australian National Audit Office (ANAO), *Offshore Processing Centres in Nauru and Papua New Guinea: procurement of garrison support and welfare services ('Procurement of garrison support and welfare services')*, Audit Report No. 16 2016–17.

30 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 8.

31 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 8.

32 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 49.

33 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 9.

experience and seniority to properly assess value for money in an open tender procurement and successfully manage a complex procurement.³⁴

5.18 In relation to assessing 'value for money', the ANAO found that:

- the department had, without authority, applied a benchmark model which was adjusted above historical costs;³⁵
- the department used separate benchmarks for Nauru and Manus Island, but determined 'value for money' and claimed savings on a combined basis. While Transfield's bid for Nauru was lower than historical costs, the bid for Manus Island exceeded historical costs by between \$200-300 million;³⁶
- under the consolidated contract, the person per annum cost of holding a person at the RPC in Nauru or Manus at the MYEFO 2015–16 in December 2015 was \$574,111. Prior to consolidation Finance estimated the cost at \$201,000;³⁷ and
- the department based the negotiated contract price on a high capacity scenario. However, there was a steady drop of in new asylum seeker arrivals (to a low of zero in March 2014). The contract was volume driven, and exposed the Commonwealth to the risk of locking-in a high price for services delivered at lower capacity levels.³⁸

5.19 The ANAO recommended that the department address the 'significant procurement skill and capability gaps' through staff training and selection, ensure officials have appropriate seniority and experience to undertake key procurement roles, and address persistent shortcomings in record keeping for procurement activities.³⁹ It also recommended that the department take steps to ensure that requirements of the resource management framework are met when undertaking procurements (including abiding by the CPRs, complying with Government approved scope and contract value, adopting a value for money assessment, ethical conduct, recognising conflicts of interest, and maintaining clear and complete records).⁴⁰

34 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 71.

35 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 47.

36 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 47.

37 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 48.

38 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 57.

39 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 14.

40 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 15.

Audit of contract management

5.20 In January 2017 the ANAO released a second audit report of the department's contract management of garrison support and welfare services (Contract Management Audit).⁴¹ This audit report noted that the combined value of these contracts at 6 December 2016 was \$3.386 billion.⁴²

5.21 This report was highly critical of the department's contract management and record-keeping practices. The ANAO concluded that the department's management of garrison support and welfare services contracts at both Nauru and PNG fell 'well-short of effective contract management practice'.⁴³ It also observed serious failings in the appropriate approval of payments made pursuant to the contracts, stating:

In respect of \$2.3 billion in payments made between September 2012 and April 2016, delegate authorisations were not always secured or recorded: an appropriate delegate provided an authorisation for payments totalling \$80 million; **\$1.1 billion was approved by DIBP officers who did not have the required authorisation; and for the remaining \$1.1 billion there was no departmental record of who authorised the payments.**⁴⁴

5.22 It also noted that contract variations totalling more than \$1 billion were made in 2016 'without a documented assessment of value for money'.⁴⁵

5.23 As in the previous audit report, the ANAO noted poor-record keeping within the department. It highlighted, in particular, the example of a failure to update the department's asset register and advise Comcover where a new facility was constructed at the Nauru RPC. This facility, which was valued at \$75 million, burned down shortly after being constructed. As a result of the failure to update the asset register, the building was uninsured when it was destroyed.⁴⁶

5.24 The ANAO further observed that when the department established the initial service contracts in 2013 it did not have a detailed view of what service it wanted to purchase, or of the standards which were to apply to the contracts. The ANAO noted that both of these factors are key considerations in achieving value for money.⁴⁷

41 ANAO, *Offshore processing centres in Nauru and Papua New Guinea – contact management of garrison support and welfare services ('Contract management')*, ANAO Report No. 32 2016–17.

42 ANAO, *Contract Management*, ANAO Report No. 32 2016-17, p. 7.

43 ANAO, *Contract Management*, ANAO Report No. 32 2016-17, p. 8.

44 ANAO, *Contract Management*, ANAO Report No. 32 2016-17, p. 9 (our emphasis).

45 ANAO, *Contract Management*, ANAO Report No. 32 2016-17, p. 9.

46 ANAO, *Contract Management*, ANAO Report No. 32 2016-17, p. 11.

47 ANAO, *Contract Management*, ANAO Report No. 32 2016-17, p. 8.

- shortcomings which were evident in the initial service contracts persisted in the later contracts, indicating that the contract consolidation process in 2014 was not informed by lessons learnt in the past;⁴⁸
- while the department developed a comprehensive and risk-based performance framework, the development of the framework was delayed and the framework itself was not applied consistently among different service providers;⁴⁹

5.25 The ANAO recommended that the department ensure contractors and supporting documentation clearly specify the goods and services to be delivered, implement a risk-based contract management plan to help manage contractor performance, contract deliverables and the retention of key records, and strengthen the control framework of current garrison and welfare services contracts.⁵⁰

5.26 The ANAO also noted that this audit was the sixth completed in relation to the department's management of detention centre contracts,⁵¹ and stated that 'taken together, these audit findings point to serious and persistent deficiencies in the department's administration'.⁵²

Departmental response

Procurement Audit

5.27 While the department agreed to both of the ANAO's recommendations in relation to the Procurement Audit,⁵³ it disagreed with aspects of the ANAO's findings.⁵⁴

5.28 Secretary Mr Michael Pezzullo stated that the department rejected the ANAO's conclusion that the department had operated without budgetary authority, explaining that the department was sanctioned by the government through cabinet and executive administrative decisions to proceed with arrangements which flowed from

48 ANAO, *Contract Management*, ANAO Report No. 32 2016–17, p. 8.

49 ANAO, *Contract Management*, ANAO Report No. 32 2016–17, pp. 8-9.

50 ANAO, *Contract management*, ANAO Report No. 32 2016–17, p. 15.

51 *Performance Audit Management of the Detention Centre Contracts - Part A*, Audit Report No.54 2003–04; *Management of the Detention Centre Contracts - Part B*, Audit Report No.1 2005–06; *Management of the Tender Process for the Detention Services Contract*, Audit Report No.32 2005–06; *Individual Management Services Provided to People in Immigration*, Audit Report No.21 2012–13; *Delivery of Health Services in Onshore Immigration Detention*, ANAO Report No.13 2016–17; and *Procurement of garrison support and welfare services*, ANAO Report No.16 2016–17.

52 ANAO, *Contract management*, ANAO Report No. 32 2016-17, p. 27.

53 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, pp. 14–15.

54 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, Appendix 1, entity response, DIBP, pp. 94–95.

the decision to re-establish regional processing.⁵⁵ The department acknowledged that its decision making processes had not been adequately documented at each stage of the procurement process, and stated that the absence of such records 'make it difficult to adequately demonstrate that the judgements made were appropriate and that due process was applied'.⁵⁶

5.29 The department explained that some officers may not have had the requisite 'dollar limit' to authorise particular payments, and that in some cases the ANAO could not find evidence of an officer having been appointed as a 'contractor administrator' in order to authorise payments due to be made over the course of a contract.⁵⁷ It argued that all payments were, nevertheless, made 'in accordance with the purpose of the contracts', and highlighted that the initial contracts were themselves approved by 'the appropriate spending delegates in the first instance'.⁵⁸ It further asserted that the payments made were within the context of an 'established contract' for a 'particular purpose', and submitted that 'As long as those contract management officers were satisfied that the goods and services were being delivered...the contract payments were made for the purposes of the contract'.⁵⁹ The department argued that by looking at what had happened 'in the field', one could conclude that contract deliverables had in fact been delivered.⁶⁰ The department also advised that through an internal investigation, it found no evidence of 'fraudulent or inappropriate payments', but noted that it had neglected to provide that information to the ANAO.⁶¹

5.30 Mr Pezzullo also stated that the department rejected the narrative of the ANAO's findings in relation to the scope of the services being provided. He explained that the department itself recognised that the services being provided (including school counsellors, home-based activity care, and refugees being settled in the Nauruan community), went beyond the original scope of the tender.⁶²

55 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Friday 11 November 2017, pp. 23–24.

56 ANAO, *Procurement of garrison support and welfare services*, Audit Report No. 16 2016–17, p. 16.

57 Mr Steven Groves Chief Finance Officer (CFO), DIBP, *Committee Hansard*, Monday 27 February 2017, p. 14.

58 Ms Jenet Connell, Deputy Secretary, Corporate, Chief Operating Officer, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 7.

59 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 17.

60 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 26.

61 Mr Stephen Hayward First Assistant Secretary (FAS), Integrity, Security and Assurance Division (Chief Audit Executive), DIBP, *Committee Hansard*, Monday 27 February 2017, pp. 7–8.

62 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Friday 11 November 2015, p. 23.

Contract Management Audit

5.31 The department agreed to the three recommendations contained within the Contract Management Audit,⁶³ although it disagreed with a number of comments made by the ANAO.⁶⁴ It submitted to the ANAO that:

- the claim that \$2.3 billion in payments made from September 2012 to April 2016 were not appropriately authorised is not correct. The vast majority of those payments were 'fixed monthly contractual fees' dependent on the number of RPC residents. It acknowledged the lack of documentary evidence to support this;
- RPCs are administered in a rapidly changing environment, which requires 'immediate implementation and a need for flexibility in services', so the department has intentionally negotiated additional services requests into its contract with Broadspectrum. In many instances, Broadspectrum was the only service provider able to deliver additional services, and as such, the use of 'existing capability' was 'cost effective and efficient'. It noted the ANAO's finding that enhanced documentation of value for money considerations;
- the contract variations with Broadspectrum totalling more than \$1 billion in 2016 were made across two variations. In the first instance, the variation was made by an appropriate delegate with a 'clear statement to the effect that funding was available to execute the deed of variation'. In the second instance, the variation was approved by an appropriate delegate who had considered the available budget, and made a statement to this effect;
- the Contract Management Plan for the Broadspectrum contract was endorsed by the Contract Authority on 13 October 2016;
- the department disagreed that the delay in 2012 between establishing the heads of agreement in relation to the contracts, and finalising the contracts represented 'loose contract management'; and
- the department disputed the claim that no work had been progressed to remediate the problem of mould in the Nauru RPC. It stated that 'Mould is a persistent issue...due to high humidity conditions', and highlighted that such work requires specialist cleaners and the relocation of affected residents.⁶⁵

5.32 The department argued that it was important to acknowledge 'the complex environment in which these contracts were established and continue to operate'.⁶⁶ It submitted to the ANAO that the department had been under immense pressure to manage thousands of asylum seekers, negotiate with host governments, engage service

63 ANAO, *Contract management*, ANAO Report No. 32 2016–17, p. 15.

64 ANAO, *Contract management*, ANAO Report No. 32 2016–17, p. 16.

65 ANAO, *Contract Management*, ANAO Report No. 32 2016–17, Appendix 1, entity response, DIBP, pp. 100-101.

66 ANAO, *Contract Management*, ANAO Report No. 32 2016–17, Appendix 1, entity response, DIBP, p. 99.

providers, and 'operationalise all the logistics' for the RPCs.⁶⁷ It also noted that it continued to provide support to the Governments of Nauru and PNG, which retained 'effective control' over the RPCs, meaning that it was open to those Governments 'at any time to make decisions which effect immediate changes to the administration of the centres'. It explained that such decisions would have a flow on effect for contract management delegates who would have to make decisions and take action within very short timeframes.⁶⁸

5.33 The department explained to the ANAO that it has developed and implemented a 'comprehensive Contract Management Framework' for detention centre contracts over the previous eight months, and planned to further improve all major Departmental contracts over the following 12-18 months.⁶⁹

5.34 In relation to the ANAO's finding that the department had failed to insure a building worth \$75 million, the department advised the Legal and Constitutional Affairs Legislation Committee that at the time the building was destroyed it was still under construction. It explained that the department was, therefore, reliant upon the builder's insurance to protect the asset, but that the builder's insurance 'did not cover the riot risk that eventually manifested'.⁷⁰

Concerns about obtaining information relating to costs

5.35 Previous committees have raised concerns about the significant costs associated with the administration of the RPCs, and the lack of clarity and transparency in relation to the management of those costs.

5.36 In 2015, the select committee commented on the difficulty in obtaining access to 'straightforward information' about the costs associated with the RPCs.⁷¹ It stated that given the significant investment of taxpayer money, a much higher level of transparency should exist to ensure the money is 'being spent responsibly and in the best interest of Australia'.⁷² The committee recommended that the department provide full and disaggregated accounts of the expenditure associated with the Nauru RPC. The select committee also noted its concern about the minimal oversight of expenditure on Nauru, and stated that the department should audit all expenditure on

67 ANAO, *Contract Management*, ANAO Report No. 32 20126–17, Appendix 1, entity response, DIBP, p. 99.

68 ANAO, *Contract Management*, ANAO Report No. 32 20126–17, Appendix 1, entity response, DIBP, p. 99.

69 ANAO, *Contract Management*, ANAO Report No. 32 20126–17, Appendix 1, entity response, DIBP, pp. 99-100.

70 Ms Jenet Connell, Deputy Secretary, Corporate, Chief Operating Officer, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 35.

71 Select Committee, *Nauru RPC*, August 2015, p. 127.

72 Select Committee, *Nauru RPC*, August 2015, p. 128

Nauru, and explain why an exemption from oversight by the Public Works Committee applies to this spending.⁷³

Future RPC and associated expenses

5.37 There are some difficulties associated with assessing future expenses associated with administering Australia's RPCs.

5.38 As set out in Chapter 1 of this report, the major contractor providing garrison and support services at both the Nauru and PNG RPCs, Broadspectrum, has indicated that it will not seek a renewal of its contracts of service. Broadspectrum's major subcontractor Wilson Security has likewise advised that its contract with Broadspectrum will end at the same time. These contracts are due to expire in October 2017. The department explained that it had been made aware of Broadspectrum's formal withdrawal from the tender process on 27 May 2016, and that the tender process itself was subsequently cancelled on 25 July 2016.⁷⁴ On 27 February 2017 the department advised the legislation committee that it had not commenced a process to select a new contractor to take over those services.⁷⁵ Acting Deputy Commissioner of Australian Border Force (ABF) Support, Ms Cheryl-Ann Moy, stated that:

The issue...is that the services that are required have changed over the time since those original contracts were undertaken. The requirement for services now may be considerably different, and that is up to the regional processing countries to advise as to what they require.⁷⁶

5.39 Ms Moy further explained that it is a question of 'defining the services and the quantum', and noted that the 'landscape had changed considerably' following the announcement of the United States (US) resettlement arrangement.⁷⁷ She also advised that, in relation to any future contracts for services may not be those of the Australian Government and may be contracts that the Governments of Nauru or PNG undertake.⁷⁸ When asked to clarify whether the Australian Government would nevertheless be paying for any subsequent contracts, Ms Moy stated that 'We will support the Government in that area'.⁷⁹ Mr Pezzullo further explained that any

73 Select Committee, *Nauru RPC*, August 2015, p. 128.

74 Mr David Nockels, First Assistant Secretary, Detention Services Division, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 57.

75 Ms Cheryl-Ann Moy, Acting Deputy Commissioner, Australian Border Force (ABF) Support, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 56.

76 Ms Cheryl-Ann Moy, Acting Deputy Commissioner, ABF Support, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 57.

77 Ms Cheryl-Ann Moy, Acting Deputy Commissioner, ABF Support, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 57.

78 Ms Cheryl-Ann Moy, Acting Deputy Commissioner, ABF Support, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 58.

79 Ms Cheryl-Ann Moy, Acting Deputy Commissioner, ABF Support, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 58.

subsequent involvement of the Commonwealth Government in relation to the provisions of services at the Nauru and PNG RPCs:

...will be the subject of an agreement between two sovereign nations as to the nature, extent and depth of our involvement, indirect or otherwise, in the residual elements that remain after the expiry of the contract period in October.⁸⁰

80 Mr Michael Pezzullo, Secretary, DIBP, *Committee Hansard*, Monday 27 February 2017, p. 59.

