



John Gibbon
Assistant Secretary
Emergency Management Australia
Department of Home Affairs
By email

15 October 2019

Dear John

Natural Disaster Relief and Recovery Arrangements (NDRRA) - Review of administration and management of selected post disaster works in Central Highlands Regional Council

1. Background

Australia is frequently subject to large-scale natural disasters which result in significant expenditure being incurred by State and Territory (state) governments through the provision of relief to individuals affected and restoration of key public infrastructure. To assist with the financial burden faced by states, the Commonwealth of Australia (the Commonwealth, CoA) has established the Natural Disaster Relief and Recovery Arrangements (NDRRA) under the Inter-Governmental Agreement on Federal Financial Relations. From 1 November 2018 the Disaster Recovery Funding Arrangements 2018 (DRFA) came into effect, in respect of eligible disasters that occur on or after this date, and apply to all claims relating to those eligible disasters. The DRFA continues the joint Commonwealth/State government funding initiative, providing financial assistance to help communities recover from eligible disasters. Both the NDRRA and the DRFA provide partial reimbursement to states for defined relief and recovery measures, subject to the receipt of audited annual Claims and the system of controls (under the DRFA). The NDRRA and DRFA are managed by Emergency Management Australia (EMA), Department of Home Affairs (the Department).

In Queensland, the Queensland Reconstruction Authority (QRA) is charged with the management and coordination of the Queensland Government's response within disaster affected communities, and liaison with EMA on joint funding of recovery efforts under the NDRRA/DRFA. In relation to restoration or replacement of essential public assets within local communities, Local Governments (Councils) are primarily responsible for coordinating and delivering infrastructure projects, which are subsequently reimbursed by QRA subject to their value for money and compliance assessment processes.

s37(1)(b)



In addition ^{s37(1)(b)} a former CHRC Infrastructure Manager was recently sentenced to five years in prison for defrauding CHRC of over \$200,000 between March 2010 and April 2011. The individual defrauded CHRC by establishing a company owned with his partner, and subsequently approving payments to the company for works never carried out. It is acknowledged this matter occurred prior to the establishment of QRA in 2011, and since becoming aware of the matter, QRA has taken steps to assure itself there has been no fraudulent expenditure claimed under NDRRA in relation to the CHRC

Infrastructure Manager at their role within CHRC, or later roles with other Councils ^{s47B(a)}

2. Objective and Scope

In light of the background above, EMA sought to understand:

- processes and procedures associated with how QRA reviews the administration of tenders, contracts and standard of work against the scope of the tenders and contracts, when including costs in NDRRA claims; and
- processes and procedures implemented by CHRC to support the administration and management of selected NDRRA projects within the Council.

To support this, we worked collaboratively with representatives from EMA to:

- analyse current processes and procedures associated with the end to end processes associated with expenditure claimed by QRA under the NDRRA
- review actions undertaken by QRA in regards to projects CHRC41.15, CHRC42.15, and CHRC43.15; and
- identify areas for improvement in relation to processes and procedures implemented by QRA and CHRC under the NDRRA/DRFA.

The scope did not include:

- investigation into the breakdown of internal controls that allowed the former CHRC Infrastructure Manager to defraud the Council
- a forensic fraud investigation to determine whether the former CHRC Infrastructure Manager defrauded more than \$200,000 from the Council, or whether other fraudulent activities have occurred within the Council; and
- any processes, controls, or procedures which do not directly relate to the acquittal of expenditure within the state under the NDRRA.

The detailed approach undertaken to address the above scope is outlined at Attachment A.

3. Findings and recommendations

Through review of submission artefacts, consultation with stakeholders within QRA and CHRC, and site visits to a sample of roads claimed within CHRC41.15, CHRC42.15 and CHRC43.15, no ineligible expenditure was identified. Specifically:

- various road assets within CHRC were damaged by AGRN 652 Central Eastern Queensland heavy rainfall and flooding: 21 to 29 January 2015
- in relation to damage incurred to CHRC road assets by AGRN 652, George Bourne & Associates Consulting Engineers (GBA) was engaged by CHRC to prepare tender documentation, evaluate tender responses, project manage the works carried out, and conduct inspections of completed works

- review of tender evaluation documentation identified GBA recommended the overall highest ranked tenderer for each package of work awarded, and the contracts awarded aligned to the original tender documentation
- s37(1)(b) [REDACTED]
- review of documentation in relation to the works carried out at each of these sites did not identify any ineligible expenditure against the relevant NDRRA Determination
- National Association of Testing Authorities (NATA) test results during reconstruction at these sites identified the materials used aligned to the requirements of the contract, per a sample of material taken from each road
- visits to a sample of sites did not identify any indicators the works carried out were of low quality, or not commensurate with the damage incurred, based on damage assessments provided by CHRC. However it is noted there was a significant time elapsed between AGRN 652 on 21 - 29 January 2015 and the date of the site visit (27 June 2019)
- review of contracts and invoices, on a sample basis, demonstrated the expenditure claimed under NDRRA was incurred by CHRC, and met the definition of state expenditure per NDRRA Determination 2012 v2
- review of claim documentation submitted by QRA to EMA identified there was no expenditure claimed under NDRRA for AGRN 656 Severe Tropical Cyclone Marcia and South East Queensland trough: 19 to 22 February 2015 for the restoration or replacement of essential public assets within CHRC
- discussion with QRA and CHRC identified there was further minor damage to these assets from AGRN 725 Central Queensland Severe Weather: 15 to 20 July 2016, however no evidence was identified which suggested costs associated with this damage were claimed under NDRRA; and
- the next activation under NDRRA within CHRC was AGRN 754 Tropical Cyclone Debbie and associated rainfall and flooding: 28 March to 6 April 2017. This expenditure has not yet been claimed by QRA under the NDRRA. There have been no further activations within CHRC as at the date of this letter.

s47B(a)



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s47B(a)



3.3 Fraud matter

7. As noted in Section 2, the scope of the review did not include investigation into the CHRC Infrastructure Manager matter. It is therefore recommended EMA request further information from both QRA and CHRC to assure itself:
 - a. whether the \$200,000 defrauded from CHRC was included within an NDRRA Claim; and
 - b. whether there is further expenditure above the \$200,000 defrauded by the former CHRC Infrastructure Manager that was included within an NDRRA Claim.

Should any expenditure be identified through the above, EMA should request reimbursement from QRA, or offset this expenditure against a future NDRRA/DRFA Claim.

If you would like to discuss any aspect of our engagement further please contact me on s22(1)(a)(ii)

Yours sincerely,

s22(1)(a)(ii)





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Attachment A

Approach

To deliver the scope of the review the following approach was undertaken:

1. met with representatives from EMA to discuss the ^{s37(1)(b)} concerns, relevant to NDRRA
2. ^{s37(1)(b)}
- 3.
4. met with representatives from QRA to:
 - a. ^{s37(1)(b)}
 - b.
 - c. walkthrough processes and procedures implemented by QRA for the assessment and acquittal of claims made by Councils under the NDRRA, leveraging understanding from previous collaborative assurance activities; and
 - d. walkthrough the assessment and acquittal processes for roads identified from the GIS mapping process outlined above and claimed across three submissions: CHRC41.15, CHRC42.15, and CHRC43.15
5. reviewed documentation held by QRA in relation to the specific roads identified within CHRC41.15, CHRC42.15, and CHRC43.15, to assess, on a sample basis, whether:
 - a. the expenditure was incurred by Council, and met the definition of state expenditure, as defined by the NDRRA Determination 2012 v2
 - b. the expenditure met the eligibility requirements of restoration or replacement of essential public assets per Clause 5.3.2 of the NDRRA Determination 2012 v2
6. met with representatives from CHRC to:
 - a. ^{s37(1)(b)}
 - b.
 - c. walkthrough procurement processes and procedures, relevant to the NDRRA; and
 - d. walkthrough the assessment and acquittal processes for roads identified from the GIS mapping process outlined above and claimed across three submissions; CHRC41.15, CHRC42.15, and CHRC43.15; and
7. conducted a site visit to a sample of roads claimed across CHRC41.15, CHRC42.15, and CHRC43.15 to:
 - a. assess whether the works completed aligned with the damage incurred by eligible NDRRA events, noting the passage of time since the events occurred; and
 - b. assess whether there is any indication the works did not align to the contracted scope, or were not of appropriate quality.