

Procurement of youth boot camps

Report 13: 2014–15



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April 2015

The Honourable P Wellington MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Mr Speaker

Report to Parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Procurement of youth boot camps* (Report 13: 2014-15).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Greaves', written over a light grey horizontal line.

Andrew Greaves
Auditor-General

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Summary

The previous Queensland government made an election commitment that it would trial youth boot camps as part of its *Safer Streets Crime Action Plan – Youth Justice*. The program commenced in early 2013 with two boot camps—one at Cairns and one at the Gold Coast—and is being administered by the Youth Justice division of the Department of Justice and Attorney-General (DJAG).

Two types of boot camps are being trialed. Early intervention camps target teenagers at risk of long term offending, and sentenced boot camps are for teenagers who have a history of offending and are otherwise facing being sentenced to a detention centre. The sentenced youth boot camp also targets youths guilty of multiple motor vehicle offences under a mandatory boot camp (motor vehicle) order.

The program was expanded in March 2013 when the Premier and the Attorney-General jointly announced an open expression of interest (EOI) process to select service providers for three new locations. Two new early intervention youth boot camps (EIYBC) were announced for Rockhampton and Fraser Coast, and Townsville was to be added to the sentenced youth boot camp (SYBC) program. This has since changed, with the Cairns and Townsville SYBC being combined into a single super SYBC located at Lincoln Springs.

All camps and related services have been outsourced and are being run by non-government organisations. It is a matter of public record that the then Attorney-General rejected the advice of his department when awarding two of the three new boot camp service contracts to organisations who were not the preferred suppliers, as determined by the EOI evaluation panels.

Because of this, it is timely to assess whether the outsourced boot camp services represent value for money from a procurement perspective—in particular whether economy of purchasing can be demonstrated, in as much as service providers of suitable quality have been selected at the lowest possible cost.

Conclusions

The documentation relating to the Attorney-General's decisions to award contracts for the Fraser Coast and the Lincoln Springs boot camps does not demonstrate that economy in procurement was achieved. The evidence indicates that suitable, lower cost service providers were available. The lack of any other evidence to support the final position taken for these boot camps, itself a failure to adhere to the government's own documentation standards, serves to weaken accountability for these decisions.

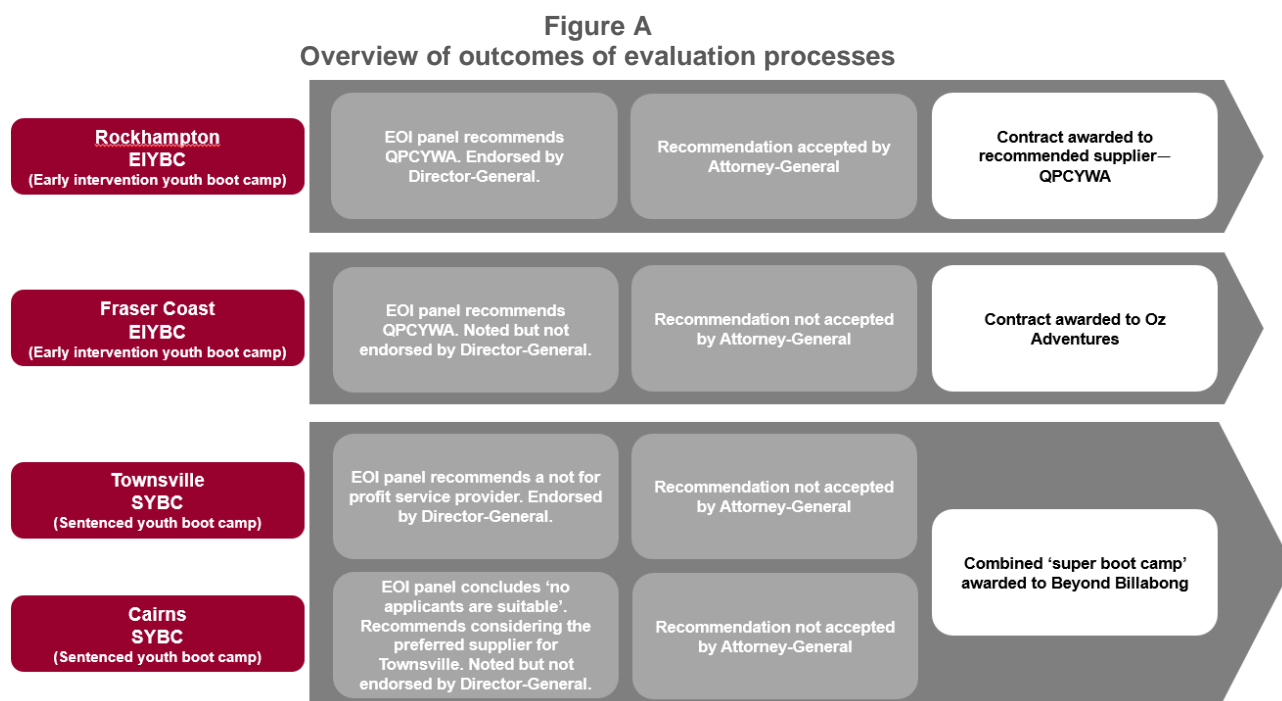
The lack of transparency also weakened program administration as it clouded which party was responsible for what costs. It also ultimately leaves the process of awarding the two contracts open to accusations of favouritism, which in the absence of a clear documentation trail, cannot be readily rebutted.

Actual experience since the two contracts were awarded serves to reinforce our view, particularly for the sentenced youth boot camp. Contract variations and payments were made to the service provider in excess of contracted amounts. Capital improvements for, and payments to, the sublessors of the sentenced boot camp facility were made on very favourable commercial terms. These all represent value transfers with little certainty that the state has received equivalent value in exchange.

These extra costs also raise significant doubt about whether the full cost of the program was understood when it was approved; and whether the state is unnecessarily subsidising the sentenced boot camp service provider for costs the provider is, or should have been, contractually bound to absorb.

Selection of service providers

Figure A provides an overview of the outcomes from the evaluation of potential providers of boot camp facilities and services.



Source: Queensland Audit Office

We found no issues with the departmental EOI process that would support a conclusion that it was flawed, or that the recommendations by the panel were defective. This was verified by the probity adviser who concluded that due process had been followed.

In these circumstances, as set down in the Premier's *Protocols for communication between ministerial staff members and public service employees* issued in August 2012, it is incumbent on the two key decision makers—the Director-General in not endorsing the Fraser Coast panel's recommendation; and the Attorney-General in rejecting the panel's recommendation and the Director-General's endorsement of this for Townsville—to fully document and substantiate their position and decisions.

Generally, the lack of documentation made available to us to substantiate or otherwise support the publicly stated rationales for why the two contracts were awarded, means it is not possible to demonstrate how the differences between the EOIs and the actual evaluation criteria used were taken into account in arriving at the final decisions.

In awarding the Fraser Coast EIYBC, the Attorney-General rejected the panel's recommendation and made his own determination to award the contract to a supplier deemed unsuitable by the panel. No documentation has been made available to us that demonstrates how this decision was made.

The Attorney-General rejected the panel recommendations for the Cairns and Townsville SYBC and made his own decision to combine these camps into a super boot camp. The super boot camp was not subject to a new EOI process and the Attorney-General advised us that he awarded the contract based on his own review of original tenders, which were for two separate boot camps.

Awarding a contract for a single super boot camp using information supplied for another purpose and based on arrangements either not made express or at variance with the original EOI is, prima facie, unsafe.

None of the tenderers for either the Townsville or Cairns camps were given the opportunity to resubmit offers to run a combined camp. It was also not made clear to prospective tenderers that the government, as it has now done, was willing to provide and fund a suitable facility for the SYBC and also to provide Queensland Corrective Services (QCS) staff to augment security at the facility.

Greater clarity of these factors may have resulted in different EOI outcomes and different cost implications to the state.

Cost effectiveness of services

The original budget approved for the boot camp trial was \$4.9 million. We estimate that the cost over the two years of the trial will be \$12.3 million, an increase of \$7.4 million.

The two year full cost of the sentenced boot camp program has now escalated to around \$10 million from the original funding approval of around \$3 million. This includes variations to the contract in favour of the service provider, with no clear rationale. It also includes the need to invest heavily in supporting infrastructure and security services. Payments have also been made to service providers which are in excess of amounts contracted and outside the terms of the respective contracts.

It is clear from experience to date that the project for the extended boot camp trial was not fully costed, or that the costs were not fully understood by DJAG, prior to its approval.

The most significant increased trial costs are directly associated with the SYBC program. Capital costs of \$4.1 million have been incurred for the provision of the Lincoln Springs facility, and the state is paying for security services through QCS. These costs should have been identified and estimated at the outset of the program. It should also have been established at the outset whether these cost were expected to be incurred by the provider or by the state.

The state has made payments directly to the sublessors of the Lincoln Springs facility. In addition to receiving an annual lease payment of \$175 000, they have also benefited from the state paying \$240 410 for renovations to their private residence and further payments to upgrade existing farm infrastructure. The Lincoln Springs SYBC facility occupies only a portion of the property and the sublessors continue to live on and use the remaining land.

In practical terms, the position adopted by the state toward these costs indicate that the sentenced youth boot camp service provider either could not meet, or is now not expected to meet, these aspects of program requirements. There is no indication that the Attorney-General sought or was provided with advice from DJAG of any potential impact on future program costs at the time of his decision to award the contract for the super SYBC.

The contracts for the Fraser Coast EIYBC and the combined super SYBC do not demonstrate that best value for money in procurement has been achieved.

For Fraser Coast, the state is paying \$2 900 more per participant than for the Rockhampton EIYBC, and \$5 500 more per participant than the evaluation panel's preferred tenderer.

For the sentenced youth boot camp at Lincoln Springs:

- The capacity for further economies of scale to be achieved from a combined boot camp were not considered prior to awarding the contract to Beyond Billabong for the same amount they originally tendered to run two separate boot camps.
- The contract issued includes a 15 per cent 'profit margin' and initially specified other costs not clearly related to service delivery.
- DJAG introduced a number of contract variations within its first year of operation which significantly increased the service payments to Beyond Billabong with no clear link to improved service delivery. Service costs have increased by at least \$875 000, before taking into account the potential for additional incentive payments.
- Variations to the Beyond Billabong contract have been based on anticipated participation rates, which are not supported by actual participation rates.
- Beyond Billabong has fulfilled its contract conditions regarding the provision of adequate security services, however a decision by the Attorney-General to appoint supplementary security services has led to DJAG incurring significant additional costs not recognised and included in the approved budget for the program expansion.
- Incentive payments are being made to Beyond Billabong to achieve what are fundamental outcomes of the program.
- A significant proportion of costs incurred by the state to establish a boot camp centre on the Lincoln Springs sublease directly benefit the sublessors with no clear reciprocal benefit to the state.

Recommendations

It is recommended that DJAG:

- 1. ensures that the rationales for decisions which are not consistent with the results of underlying tender or expression of interest (EOI) processes are fully documented**
- 2. advises decision makers of the financial implications of their decisions where they are not consistent with recommendations arising from a tender or EOI process**
- 3. produces complete budgets that incorporate all recurrent and capital costs likely to be associated with program trials as part of the initial decision making process, and progressively update these based on actual experience**
- 4. undertakes an early assessment of the cost effectiveness of the boot camp trial to minimise any further costs to the state that may arise from any further extension of the program under current contractual arrangements.**

Reference to comments

In accordance with s.64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Attorney-General and to the Director-General of the Department of Justice and Attorney-General with a request for comments. A copy was also provided to the former Attorney-General, as a person with a special interest in the report, in accordance with s.64(3), as well as to the service providers and property sublessors.

Where they have made submissions to us, their views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report.

Comments received are in Appendix A of this report, either reproduced in full, or as a fair summary.

1 Context

1.1 Background

The effectiveness of boot camps in reducing recidivism has been widely researched and trialled in a number of jurisdictions over many years. Much of this research and experience concludes that boot camps may lead to short term reductions in rates of recidivism, but that this pattern is not sustained over the longer term.

Against this background, the previous Queensland Government made an election commitment that it would trial youth boot camps. The trial forms part of the previous government's *Safer Streets Crime Action Plan-Youth Justice* and the program is administered by the Youth Justice division of the Department of Justice and Attorney-General (DJAG).

Given the diversity of results of research about the outcomes and cost effectiveness of such programs, DJAG has committed to evaluate the trial to determine if it reduces entry into the youth justice system and re-offending, before considering whether to implement youth boot camps in other locations across Queensland.

1.2 Legislative frameworks

1.2.1 Sentenced youth boot camp orders

The *Youth Justice Act 1992* was amended with effect from 1 January 2013 to allow the court to sentence an eligible young person to detention and then immediately suspend the detention order and make a boot camp order.

The sentenced youth boot camp programs are required by legislation to provide intensive support to the young offender and access to developmental and mentoring programs.

A boot camp order can be between three and six months in duration. Young offenders must spend the first month of their order in a boot camp centre (*the residential phase*) then up to five months under community supervision (*the community supervision phase*).

The residential phase is required to be run at a boot camp centre, approved by the Director-General, a place where the services and facilities necessary for the residential phase of a boot camp program are located.

The boot camp centre provider is required by Part 8A of the Youth Justice Act to provide for:

- the health and wellbeing of children at the centre
- the cultural, educational, emotional, intellectual, physical and social development of children at the centre
- security and management of the centre
- the safe custody of children at the centre
- the maintenance of discipline and good order at the centre.

Only young people living in the trial location are able to be sentenced to a boot camp order.

1.2.2 Program funding

The *Community Services Act 2007* (the Act) provides for funding, by way of grants to service providers, of services that contribute to Queensland's economic, social and environmental wellbeing.

The guiding principles set out in s.4 of the Act, which apply from 3 July 2014, include the requirement that funding should be administered in a way that is efficient and transparent. The Act requires also that accountability for funded services is upheld to help to maintain public confidence about the use of public funds.

1.3 Procurement frameworks

The State Procurement Policy, released in 2010, and since replaced from 1 July 2013 by the Queensland Procurement Policy, is a framework for achieving transparent and accountable outcomes. The overarching objectives of both the old and new policy are to select the option that best provides value for money outcomes.

Procurement of boot camp services by way of an open expression of interest (EOI) process was approved by the Director-General of DJAG and the Attorney-General, under authority of s.24 of the Act, to which was applied the objectives of the State Procurement Policy then in place.

In July 2013, at the 2013–14 estimates hearings held by the by the Legal Affairs and Community Safety Committee, the Attorney-General made the following observations about the procurement process then underway:

We are in the process now of the tendering process ... The tenders have not come to me yet. We have an independent process in place.

The groups [already running similar programs] have to show that they have the capabilities, the staff and the knowledge, and it would be helpful if they have runs on the board.

At the same hearing the Director-General made the following observations:

I have ensured that the selection committees are independent of government—that is, of executive government in the sense of ministerial intervention—and that there is probity in place.

I will be personally taking an interest to ensure that the persons who have been nominated by the selection panel meet one fundamental criterion—that is, that they have experience in the field ...

1.4 Timeline of key events

The first two-year trials commenced in early 2013 in two locations for two types of boot camps:

- An early intervention youth boot camp program (EIYBC) is being trialled on the Gold Coast. This program targets young people aged between 12 to 16 years who are assessed as being at high risk of long term involvement in the criminal justice system.
- A sentenced youth boot camp program (SYBC) was trialled in Cairns (Kuranda). This program provided an alternative to young people aged between 13 to 17 years facing a detention sentence.

In March 2013, the Premier and the Attorney-General jointly announced an expansion of these two-year trials to three further locations:

- two EIYBCs—to be trialled at Rockhampton and Fraser Coast
- one further SYBC—to be trialled at Townsville.

In April 2013, the government terminated the contract with the Cairns SYBC provider following a security incident at the residential facility at Kuranda. Because of this incident, the government determined that boot camps would no longer be located in residential areas or near residential areas.

In May 2013, the Attorney-General approved a procurement process involving EOIs for the three expansion programs, and to obtain a replacement service provider for the Cairns program. These EOIs closed on 21 June 2013 for the three expansion programs, and on 14 June 2013 for the Cairns program.

At the same time, an open EOI was issued to identify properties in suitable locations that were available to lease for the SYBCs in Cairns and Townsville, in the event that properties identified by any potential service providers in their submissions were assessed by DJAG as unsuitable. There were no suitable responses to this EOI.

On 21 August 2013, the Attorney-General announced that three providers were awarded contracts to provide boot camp services:

- the Queensland Police-Citizens Youth Welfare Association (QPCYWA)—to run the EIYBC at Rockhampton
- Oz Adventures (trading as Hard Yakka)—to run the EIYBC at Fraser Coast
- Beyond Billabong—to run a combined super SYBC for both Cairns and Townsville, later determined by DJAG to be located at Lincoln Springs.

1.5 Audit rationale

Of the three contracts entered into for the expansion boot camps, only the Rockhampton EIYBC was awarded to the service provider recommended by the panel undertaking that EOI tender evaluation process.

This procurement outcome raises questions, *prima facie*, about the probity and cost effectiveness of the EOI process—not least because of the time, effort and cost that went into it.

The process followed by the Attorney-General in making his decision to award the SYBC contract and the Fraser Coast EIYBC contract needed to demonstrably adhere to the *Protocols for communication between ministerial staff members and public service employees* issued by the Premier in August 2012 and with the general principles of accountability and transparency enunciated within them. In particular, section 5.14 states:

Formal recordkeeping is particularly important when a Minister or Ministerial staff member on the Minister's behalf verbally or in writing provides a direction to departments to implement particular policies or the Minister makes a final decision that is contrary to, or overrides, departmental advice.

Regardless of how the service providers were selected, the value for money principles enshrined in the State Procurement Policy and in the legislative provisions of the Act must also be able to be clearly demonstrated.

In terms of this program's ultimate cost effectiveness, the value for money question can be definitively answered only over a longer period of time. This will provide the ability to fully understand whether any sustained reduction in rates of recidivism has been achieved. It will also enable understanding of what the cost has been, compared to incarceration and to other diversion programs.

In the shorter term, and in the context of this procurement audit, the value question is necessarily reframed as to whether economy of purchasing can be demonstrated—that is, that the lowest cost was obtained for services that meet appropriate quality standards.

1.6 Audit objective, method and cost

The overall objective of this audit was to establish whether the three expansion trial boot camps were procured economically and whether the means by which their services were procured adhered to expected standards of probity, transparency and accountability.

To form a conclusion against this objective we assessed whether:

- the expression of interest process complied with State Procurement Policy and adhered to expected standards of probity
- the subsequent selection process used by the Attorney-General complied with the expected documentation standards
- the contracts awarded represent best value for money.

The audit was carried out in accordance with Australian Auditing and Assurance Standards.

The cost of the audit was \$95 000.

1.7 Report structure

The remainder of the report is structured as follows:

- Chapter 2—Procurement processes
- Chapter 3—Cost effectiveness of services
- Appendix A contains responses received
- Appendix B contains copies of selected correspondence during the audit with the former Attorney-General and Minister for Justice and the Director-General.

2 Procurement processes

In brief

Background

The Department of Justice and Attorney-General (DJAG) undertook an open expression of interest (EOI) process to identify suitable service providers to operate boot camps, as part of an expanded trial.

Evaluation panels were established to assess each EOI and this process was overseen by an independent probity adviser.

Conclusions

The EOI processes undertaken by departmental staff complied with state procurement policies and were free from executive government involvement.

The recommendations from the EOI process were not accepted by the Attorney-General who made his own decisions to award contracts. There is no documentation to evidence that, in doing so, he appointed the best suited supplier and achieved the best economy in procurement.

Key findings

- The number of EOIs received for each boot camp indicated a competitive market response.
- Selection criteria and weightings were approved by the Director-General and Attorney-General prior to the issue of EOIs.
- The results of the evaluation process undertaken by the respective panels were consistent and complied with state procurement policies.
- The Director-General noted but did not endorse two of the panel recommendations. No documentation was provided to explain why he did not support the recommendations of the EOI panel.
- The Attorney-General did not accept the panel's recommendations for the Fraser Coast early intervention youth boot camp and made his own decision to award the contract to the 10th ranked and most expensive offer.
- The Attorney-General did not accept the panel's recommendations for the Cairns and Townsville sentenced youth boot camps and instead reviewed existing tenders and determined an alternative combined boot camp.
- Submissions were evaluated by the Attorney-General on the basis of a single combined boot camp despite submissions being based on two separate stand-alone facilities. Other tenderers were not provided an opportunity to resubmit a tender for a combined camp. Other tenderers were not asked to submit proposals that assumed the state provided the facilities and security services.
- The Attorney-General did not provide any documentation to support his decisions or the analysis undertaken in arriving at those decisions. The absence of documentation breaches section 5.14 of the *Protocols for communication between ministerial staff members and public service employees* issued by the Premier in August 2012.

Recommendations

It is recommended that DJAG:

1. **ensures that the rationales for decisions which are not consistent with the results of underlying tender or expression of interest (EOI) processes are fully documented.**

2.1 Background

The boot camp services are funded under the *Community Services Act 2007* (the Act). As the Act stood in 2013, it was (and remains) silent on the procurement processes to be adopted when determining whether and on what terms to provide financial assistance to an approved service provider.

In any event, the Director-General of the Department of Justice and Attorney-General (DJAG) and the Attorney-General initially decided that the selection of boot camp providers would adhere to the principles in the then State Procurement Policy, and determined in this context that an open expression of interest (EOI) was the most suitable process.

In respect of this process, in accordance with state procurement guidelines, we expected to find appropriate:

- probity arrangements—clearly documented evaluation and probity plans; conflict of interest, confidentiality and information security protocols; and the use of an independent advisor or auditor to provide assurance that due process was followed
- panel membership—the composition of which demonstrated the level of knowledge, skill, experience and independence required to perform a reliable assessment free from bias
- evaluation criteria—relevant to the objectives of the service and to the attributes required of the service provider to achieve the intended outcomes
- record keeping—complete, accurate and consistent documentation supporting the tender processes, panel deliberations and decisions, while maintaining the integrity and confidentiality of the documentation.

The Director-General delegated responsibility for designing and implementing the EOI process to the then Assistant Director-General in charge of the Youth Justice division of DJAG. Four EOIs were issued, one for each boot camp, and four panels were established by the Assistant Director-General, with each to evaluate one of the four EOIs.

Three of the four panels made recommendations to appoint service providers. These were for the two early intervention youth boot camp programs (EIYBC) and for the Townsville sentenced youth boot camp (SYBC). The fourth panel, for the Cairns SYBC, did not recommend a service provider, but did recommend that the department engage with a suitable organisation through a targeted initiative to identify a suitable provider.

The Director-General endorsed the panel's recommendation for the Rockhampton EIYBC.

The panel's recommendation for the Fraser Coast EIYBC and Townsville SYBC were noted but not endorsed by the Director-General, without any documentation to support this.

The Attorney-General rejected the service providers recommended by the Fraser Coast EIYBC panel and by the Townsville SYBC panel. This, and the failure of the Cairns SYBC panel to recommend a service provider, led the Attorney-General to establish his own selection process for these three boot camps.

In respect of his process, we expected to find it documented according to the principles of accountability and transparency espoused in the *Protocols for communication between ministerial staff members and public service employees* issued by the Premier in August 2012, and in particular section 5.14 which states:

Formal recordkeeping is particularly important when a Minister or Ministerial staff member on the Minister's behalf verbally or in writing provides a direction to departments to implement particular policies or the Minister makes a final decision that is contrary to, or overrides, departmental advice.

2.2 Conclusions

The four departmental EOI processes conformed to the requirements of the state procurement guidelines and were free from executive government involvement.

Lack of sufficient and appropriate documentation means that the subsequent processes followed by the Attorney-General and his staff to award the contracts did not meet the Premier's principles of accountability and transparency. The lack of documentation means also that the Attorney-General cannot demonstrate that the two service providers chosen were the best suited, or the most cost effective.

While all conforming offerers submitted their tenders on the basis that there would be two separate stand-alone facilities, their submissions were then evaluated by the Attorney-General on the basis of a single joint facility. The prices tendered by Beyond Billabong in their submissions were for two camps, not for a joint camp. No other offerers were afforded the opportunity to submit new offers to run a single joint facility.

2.3 Expression of interest selection process

The four EOI processes exhibited the characteristics of good practice expected of a procurement process involving the expenditure of significant public funds.

2.3.1 Submissions received

Figure 2A summarises the number of conforming EOIs received by date of EOI close. These numbers of conforming EOIs indicate a competitive market response.

Figure 2A
Timetable and number of conforming EOIs received

Program	Date of invitation	Date of EOI close	Respondents
EIYBC Rockhampton	14 May 2013	21 June 2013	6
EIYBC Fraser Coast	14 May 2013	21 June 2013	12
SYBC Townsville	14 May 2013	21 June 2013	4
SYBC Cairns	21 May 2013	14 June 2013	6

Source: Queensland Audit Office

All 18 responses for the two EIYBC were assessed as conforming by the respective panels and proceeded to evaluation.

For the Cairns SYBC, nine offers were received. Beyond Billabong submitted their offer one week late on 21 June, and accordingly they were excluded from further evaluation as required under the tender rules in the evaluation plan. Two other offers were assessed as non-conforming, and as a result only six of the nine offers were evaluated.

For the Townsville SYBC, five offers were received, but one was excluded because it was submitted three days late. Beyond Billabong submitted an offer for the Townsville SYBC. This offer was considered conforming because the offer was considered in two parts.

The first part was an assessment against evaluation criteria and the Beyond Billabong offer conformed in all material respects. The second part was an assessment of costs. In this response, Beyond Billabong stated a cost to run two boot camps concurrently, citing 'economies of scale' as the reason. Costs were not provided for a single location boot camp.

There is some confusion concerning the Beyond Billabong EOI submission. Ambiguous language resulted in the panel evaluating Beyond Billabong based on a single camp in the Townsville region. The language used in Beyond Billabong's Cairns EOI was identical to the Townsville EOI submission. The panel's understanding was that Beyond Billabong has tendered for a service in Townsville and one in Cairns. Beyond Billabong contend the following wording was meant to indicate a single location boot camp drawing participants from two geographic regions:

"Beyond Billabong Training is submitting EOI's in all 4 areas and have done a budget inclusive of 2 of the areas of economies of scale but can deliver in whatever or all combinations that the Government feel is appropriate".

2.3.2 Probity arrangements

The boot camp procurement process commenced when EOI information papers and evaluation plans were prepared for each of the EIYBC and SYBC. The four EOIs were released to market in May 2013. The EOI information papers provide clear and explicit selection criteria and performance requirements.

The information papers and evaluation plans, including weightings to be applied to specific criteria by the evaluation panels, were reviewed and approved by the Director-General and Attorney-General prior to their release.

The evaluation process was overseen by an independent probity advisor. An overall probity plan was prepared. The probity plan clearly states expectations of those involved in the evaluation process including:

- conflicts of interest
- communication with offerers
- confidentiality.

The probity advisor provided services for the period commencing with the release of EOIs through the preparation for and conduct of the evaluation process and up to and including the preparation for and conduct of debriefing offerers.

In his probity report, the probity advisor confirmed he was satisfied the methodology contained in the evaluation plans was fair and equitable and supported the achievement of the EOI objections.

The probity advisor confirmed adequate compliance of the EOI process with relevant procurement policy requirements through:

- his active involvement throughout the EOI administration and assessment process
- a probity report coinciding with the presentation of the evaluation report recommending the preferred offerer for each boot camp
- a final probity report following conclusion of offerer debriefs.

2.3.3 Panel membership

Separate evaluation panels were appointed for each EOI. These panels were responsible for assessing, scoring and making recommendations to the Director-General for his endorsement and to the Attorney-General for his consideration.

The chair of all four EOI evaluation panels was the Assistant Director-General, Youth Justice, DJAG.

The evaluation panels consisted of experienced regional representatives from DJAG on all four panels and from other government agencies. There were regional directors from the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs on all four panels; inspectors from the Queensland Police Service (QPS) for the two EIYBCs; and officers from the Department of Education, Training and Employment for the two SYBCs.

The Cairns SYBC panel also had an adviser to the Attorney-General.

The seniority and regional experience of the panel membership across the diverse government agencies that deal with the youth targeted by these programs was appropriate.

No independence concerns were raised about the representative of the QPS on the Rockhampton EIYBC evaluation panel, either during the process, in obtaining approval to appoint the preferred supplier, or subsequent to the appointment of the Queensland Police-Citizens Youth Welfare Association (QPCYWA) as the provider.

The Director-General raised his concerns about the perception of lack of independence of the QPS representative on the panel for the Fraser Coast EIYBC after receiving the recommendation from the panel, which was also to appoint the QPCYWA. However, the Director-General advised us that in his view there was no actual independence issue.

2.3.4 Evaluation criteria

The EOIs approved by the Director-General and the Attorney-General clearly set out the four qualitative assessment criteria (AC) to be used and the weighting given to each:

- **AC 1:** Delivery of camp component—33 per cent weighting
- **AC 2:** Delivery of program components—33 per cent weighting
- **AC 3:** Demonstrated ability to partner with government/non-government in delivering complex programs—17 per cent weighting
- **AC 4:** Demonstrated ability to achieve outcomes for young people with complex needs—17 per cent weighting.

The approved weightings gave twice as much weight to the first two criteria than the last two, and the first two were given equal weighting. This is appropriate as each program involves a combination of short term camps and longer duration community supervision. The weightings imply that the camp component is as important as the other program components.

The evaluation panels scored each EOI against the assessment criteria and then undertook a moderation process to arrive at an overall weighted score.

Figure 2B provides a comparison of evaluation results. The internal consistency observed in the ratings of the same service provider between the various panels further demonstrates the rigour of the evaluation panels' processes.

Figure 2B
Comparison of evaluation results

Offerer	AC1	AC2	AC3	AC4	Total (weighted)	Rank
Oz Adventures (Hard Yakka)						
EIYBC—Fraser Coast	6.6	7.0	3.6	3.8	21.0	10th
QPCYWA						
EIYBC—Fraser Coast	22.6	26.8	13.5	14.0	76.9	1st
EIYBC—Rockhampton	24.8	26.4	11.9	14.0	77.1	1st
Beyond Billabong						
EIYBC—Fraser Coast	9.8	9.7	6.7	9.9	36.1	9th
EIYBC—Rockhampton	15.7	10.3	8.7	3.2	37.9	5th
SYBC—Townsville	15.4	16.4	8.7	10.4	50.9	2nd
Unsuccessful offerer A*						
SYBC—Townsville	21.7	22.0	9.0	9.9	62.6	1st
Unsuccessful offerer B*						
SYBC—Cairns	17.3	20.2	7.2	5.6	50.3	1st

* In this report we elected for reasons of natural justice to identify only those offerers who were awarded contracts and are therefore already known publicly as a tenderer.

Source: DJAG—various evaluation reports

In accordance with recognised good practice, the funding submission components of the offers were held separately and not made available to the evaluation teams until after they completed their moderated assessment of all of the non-price criteria.

After this, the weighted scores were analysed against the prices tendered to arrive at a value for money score. This avoids the perception or possibility that the panel may favour the lowest-price bidder when assessing the suitability of each provider. It also demonstrates that the best value for money is obtained, as it will not always be the lowest price that wins the tender.

2.3.5 Documentation standards

The evaluation teams performed an assessment of each submitted EOI and their rationale for each evaluation was clearly articulated and well documented. Specifically, the documentation maintained demonstrated that:

- consistent selection and performance criteria were applied to each offer
- assessments were objective and made by independent team members with an appropriate mix of skill and background
- the evaluation reports provide a defensible record of the actions and the decisions taken by the evaluation teams
- there was fairness and impartiality in the selection process and recommendations made by the evaluation team.

2.3.6 Panel recommendations to the Director-General

The recommendations by the four panels to the Director-General were consistent with their assessments and their ranking of potential providers:

- for the two EIYBCs the two panels recommended that the QPCYWA be appointed in each area
- for the Townsville SYBC the panel recommended the first ranked offerer be appointed
- for the Cairns SYBC the panel recommended no appointment, given that their highest ranked offerer scored only 50.3.

On 10 July 2013, the Director-General endorsed the panel's recommendation to appoint the QPCYWA for the Rockhampton EIYBC.

On 12 July 2013, the Director-General endorsed the service provider recommended by the panel that evaluated the Townsville SYBC.

On 22 July 2013, the Director-General 'noted' rather than 'endorsed' the recommendation of the panel for the Fraser Coast EIYBC. The panel recommendation of 17 July 2013 was marked urgent and subsequently the Director-General made his decision to only note the recommendations. There is no documentation of the considerations made over the six day period which resulted in the Director-General not accepting his department's recommendation.

On 21 August 2013, the Director-General, in an email to the Attorney-General's chief of staff, indicated that while he was satisfied the procurement process was appropriate in that it followed due process and that guidelines had been complied with, he was not satisfied:

- the recommendations flowing from the process were optimal
- the successful parties had either the experience in residential boot camp services or the capacity to provide these services in the locations subject to tender
- the selection committees gave sufficient weight and concern to the position that community safety was paramount.

He noted also in that email that for Townsville and Fraser Coast, the nominated applicant[s] lacked the requisite experience; and that for Fraser Coast, the panel membership raised concerns about the appearance of potential [conflict] of interest. However, the Director-General also advised that he did not regard the members of the panels had any actual conflict of interest.

His support for the QPCYWA in Rockhampton but not in Fraser Coast, is prima facie inconsistent. His original endorsement of the recommended provider for the Townsville SYBC also contradicts the position he adopted in his email.

The Director-General has provided no documentation or other evidence in support of the opinions that he later formed about the tender process and the preferred offerers. His opinions contradict the panels' views in many respects, and in some respects contradict the criteria and weightings both he and the Attorney-General originally approved as part of the EOI process.

2.4 Ministerial selection process

The Attorney-General, through his executive power under s.51 of the *Constitution of Queensland 2001*, holds the legal authority to enter into service agreement contracts. What is less clear is with what standards, if any, he must comply in undertaking his own assessment and determining to whom to award the contracts.

In this regard, and in addition to the guiding principles in s.4 of the Community Services Act that funding should be administered in a way that is efficient and transparent, the *Protocols for communication between ministerial staff members and public service employees* issued by the Premier in August 2012 include the following requirements:

- decisions and actions to be documented in sufficient detail to ensure that the processes involved are accountable and transparent
- formal record keeping is particularly important when a minister makes a final decision that is contrary to, or overrides, departmental advice.

The Attorney-General accepted the Director-General's and panel's recommendation for the Rockhampton EIYBC, but rejected the other two panels' recommendations: for Townsville, which had been endorsed by the Director-General, and for the Fraser Coast camp.

In awarding the contracts for the Fraser Coast EIYBC and the combined super SYBC, the Attorney-General advised us that he and staff in his office undertook their own assessment of all applicants who had submitted an EOI.

With regard to Townsville and Cairns, the Attorney-General advised us that he formed the view that a single super boot camp would provide value for money. He awarded this contract to Beyond Billabong.

With regard to Fraser Coast, the Attorney-General stated in Hansard on 15 July 2014 that he had formed the view that the Oz Adventures (Hard Yakka) Boot Camp displayed in their tender submission:

- a greater level of demonstrated emphasis on the camp as a consequence of antisocial behaviour and an opportunity to instil discipline, structure and respect than any of the other applicants
- a greater level of demonstrated experience in providing opportunities for young people to gain qualifications through the program, increasing their capacity to find and sustain employment than the other applicants
- a greater depth of demonstrated experience and local support according to letters of support than the other applicants.

Further, he indicated that Oz Adventures was assessed as being able to commence operations immediately, as they were an established local provider for camps, and that a number of local organisations had publicly declared their support for Oz Adventures.

In a letter to me of 20 November 2014, the Attorney-General advised that the overriding criteria he adopted to select these two service providers were that they:

- must have experience in delivering the camp phase of the program
- were able to ensure that community safety was of priority consideration
- needed to demonstrate value for money
- needed to be able to commence operations quickly.

The Attorney-General also outlined his selection process in the following terms:

- on receiving the recommendations from DJAG, my office requested copies of all the tenders that had been received
- we went through each tender individually and discarded those that were unsuitable
- for those tenders that remained, we reviewed each of them in detail against the evaluation reports prepared by DJAG as well as the criteria outlined above.

The Attorney-General further advised that his analysis confirmed his views regarding the DJAG recommendations that, whilst the process undertaken by each team was rigorous, there was a fundamental failure to appreciate the importance of demonstrably experienced providers, particularly in light of the Cairns boot camp incident. He advised that he formed the view that many of the recommendations were unlikely to fulfil this government's policy agenda in relation to youth crime.

2.4.1 Documentation standards

No documentary evidence has been provided by the Attorney-General or his staff in support of the processes outlined above.

As a result it is not clear:

- who undertook the evaluation and whether there were any conflicts of interest
- the weighting given and method of scoring used to assess against each criteria
- which offers were rejected and why
- which offers were evaluated, the comparative assessment of their respective capabilities and the scores used to arrive at the initial ranking of preferred suppliers
- what additional sources of information were used, if any, and whether all offerers were afforded the opportunity to supply or resubmit this information
- how a like for like comparison was able to be undertaken of offers tendered on criteria subsequently weighted differently by the Attorney-General
- how the respective cost of each offer was then considered in arriving at an overall judgement about the best value for money, including what adjustments if any were made to respective bids for the SYBC when it was determined that a single super boot camp would be the operating model.

The absence of documentary evidence is a breach of the *Protocols for communication between ministerial staff members and public service employees* issued in August 2012 by the Premier.

2.5 Recommendation

It is recommended that DJAG:

- 1. ensures that the rationales for decisions which are not consistent with the results of underlying tender or expression of interest (EOI) processes are fully documented.**

3 Cost effectiveness of services

In brief

Background

In the short term, proper judgements can be made only about whether economy of purchasing has been achieved, by obtaining an appropriate quality of service for the lowest cost.

Conclusions

Services procured for the expanded boot camp trial do not represent best value. The total cost over the two year trial period is estimated to be \$12.3 million, compared to the initial approved budget of \$4.9 million—an increase of \$7.4 million.

Program costs for the sentenced youth boot camp (SYBC) have increased to an estimated \$10.7 million, compared to the initial service contract of \$4.4 million—largely for infrastructure costs and security services which originally were intended to have been provided under the contract.

Key findings

The contract issued to Oz Adventures to operate the Fraser Coast early intervention youth boot camp (EIYBC) is not best value for money, as the cost per participant is \$5 500 higher than the evaluation panel's preferred tenderer and \$2 900 higher than the service provider for the Rockhampton EIYBC.

The contract for a combined SYBC awarded to Beyond Billabong also has not procured best value:

- The capacity for further economies of scale from a combined boot camp were not considered prior to awarding the contract to Beyond Billabong for the same amount they originally tendered to run two separate boot camps.
- The contract includes a 15 per cent 'profit margin' and other costs not clearly related to service delivery.
- The Department of Justice and the Attorney-General (DJAG) introduced a number of contract variations within its first year of operation which significantly increased service payments with no clear link to improved service delivery. Service costs have increased by at least \$875 000, before taking account of potential additional incentive payments.
- Variations to the Beyond Billabong contract have been based on anticipated participation rates which are not supported by actual participation rates.
- Beyond Billabong has not been required to fulfil tender specifications relating to the provision of a suitable property to operate the boot camp or contract conditions regarding the provision of adequate security services, leading to DJAG incurring significant additional costs not recognised and included in the approved budget for the program expansion.
- Incentive payments are being made to Beyond Billabong to achieve what are fundamental outcomes of the program.
- A significant proportion of costs incurred by the state to establish the boot camp centre on the Lincoln Springs sublease directly benefit the sublessors with no clear reciprocal benefits.

Recommendations

It is recommended that DJAG:

2. **advises decision makers of the financial implications of their decisions where they are not consistent with recommendations arising from a tender or expression of interest (EOI) process**
3. **produces complete budgets that incorporate all recurrent and capital costs likely to be associated with program trials as part of the initial decision making process, and progressively update these based on actual experience**
4. **undertakes an early assessment of the cost effectiveness of the boot camp trial to minimise any further costs to the state that may arise from any further extension of the program under current contractual arrangements.**

3.1 Background

Following Cabinet's approval of the trial expansion in March 2013, grant funding of \$4.9 million over two years was approved by the Minister in May 2013 to be provided under the *Community Services Act 2007*:

- \$3.1 million for the Townsville sentenced youth boot camp (SYBC) and Rockhampton/Fraser Coast early intervention youth boot camps (EIYBC)
- \$1.8 million for the Cairns SYBC.

It is too soon to judge whether the boot camp program is cost effective. Longer timeframes are required to establish whether they lead to a sustained reduction in the rate of recidivism or to other positive social outcomes, and to judge whether the cost of this program is greater or less than that of other approaches that could be adopted.

At this stage of the two-year trial program, proper judgments can be made only about whether economy of purchasing has been achieved. In this context, the value for money equation is about whether services of an appropriate quality have been obtained for the lowest possible cost.

For the individual services, their actual cost can be compared against costs tendered by other providers judged as also being of suitable quality. In this latter respect there is always a judgement to be made about the trade-off between cost and quality—a lower, but suitable, quality provider may be selected over a higher quality provider if there is a significant cost differential between the two, such that it is judged that the premium paid for the higher quality provider is excessive.

This trade-off means that the highest cost provider can be selected if they are of demonstrably superior quality. It also means that the lowest priced tender may be rejected if their quality is judged as inadequate.

Another way to gauge whether economy has been achieved overall is to measure the actual cost of the program, based on the contracts awarded, against the approved budget for the program.

3.2 Conclusions

The expanded boot camp trial does not provide best value for money for the state as its total cost over the two year trial period is estimated to be \$12.3 million compared to the initial approved budget of \$4.9 million—an increase of \$7.4 million.

Program costs for the sentenced youth boot camp have increased to an estimated \$10.7 million, compared to the initial service contract of \$4.4 million. This is largely the result of infrastructure costs and security services which originally were intended to have been provided under the contract.

3.3 Program costs against approved funding

After contracts were awarded, the contracted funding for a two year period totalled \$5.98 million, which is \$1.08 million more than approved. Figure 3A summarises the total estimated two-year cost of the approved contracts at the time they were awarded to each provider.

Figure 3A
Summary of contract funding

Location	Supplier	Contracted	Funding method	Commenced
EIYBC— Rockhampton	Queensland Police-Citizens Youth Welfare Association (QPCYWA)	\$842 640 \$35 595	Approved service provider— funding assistance to provide services for a minimum of 60 young people over the funding term (approx. 30 per annum). One-off set up costs	October 2013
EIYBC— Fraser Coast	Oz Adventures (Hard Yakka)	\$698 820	Approved service provider— funding assistance to provide services for a minimum of 40 young people over the funding term (approx. 20 per annum)	October 2013
SYBC— Super boot camp	Beyond Billabong	\$4 400 000	Open grant funding—a maximum of \$2.2 million per annum will be paid under a fee-for-service 'cost plus' contract for 84 people per annum.	October 2013
Total		\$5 977 055		

Note: The contract with Beyond Billabong was amended on 27 October 2014 to increase base funding and introduce certain incentive payments in return for an anticipated increase in the level of service delivery. These amendments took effect from 25 July 2014 and are not reflected above.

Source: DJAG

3.3.1 Early intervention boot camps—actual costs

Figure 3B shows that there has been a cost escalation in service fees. The extra \$24 100 which has been paid relates to CPI increases of 2.5 per cent for payments made from 1 July 2014.

Figure 3B
EIYBC summary of service fees

Service fees	Contracted \$	Actual \$	Difference \$
QPCYWA	842 640	855 840	13 200
Oz Adventures	698 820	709 720	10 900
EIYBC total	1 541 460	1 565 560	24 100

Source: Queensland Audit Office

3.3.2 Sentenced youth boot camp—actual costs

The estimated two-year cost of the SYBC program has increased to \$10 728 519, compared to the \$4.4 million for the contracted service fees.

Figure 3C shows that much of the additional costs of around \$6.3 million are for the lease of land and facilities from a private third party where the SYBC is being run, and for security services at the facility being provided by Queensland Corrective Services (QCS).

Figure 3C
SYBC summary of estimated costs

Nature of expenditure	Original approval \$	Actual/est. \$
Beyond Billabong contracted service fees	4 400 000	5 275 000
Other payments to Beyond Billabong	–	18 929
QCS security services	–	830 000
Sub-total services	4 400 000	6 123 929
Lincoln Springs facilities and operating budget	–	4 228 000
Lincoln Springs property lease	–	354 550
Other payments to property sublessors	–	22 040
Sub-total facilities	–	4 604 590
SYBC total service and facilities costs	4 400 000	10 728 519

Note: Excludes amounts in relation to incentive payments to Beyond Billabong which are yet to be determined.

Source: Queensland Audit Office

Security services

Security services are being provided by QCS staff at a cost of \$830 000 over the two years of the program. This is despite the SYBC contract requirements that the service provider must provide for the safety of the participants and maintain discipline and good order for community safety. The contract requires that the staff who supervise the participants must be suitably qualified, trained and experienced to do so.

An article in the Brisbane Times of 21 May 2014 quoted a spokesperson for the Attorney-General confirming that correctional officers were being supplied to the Lincoln Springs camp to help with security and establish protocols. He stated it was *'important that it has highly skilled security staff on site'*.

It remains unclear why the state has elected to provide funding for correctional staff to support a private business selected ostensibly because of their 'proven track record'. The contract clearly assigns the responsibility to Beyond Billabong to provide suitably qualified and trained security staff.

Lincoln Springs infrastructure and sublease costs

Since awarding the service contract to Beyond Billabong, the Department of Justice and the Attorney-General (DJAG) has committed to a capital budget of \$4 138 000, and an annual lease rental of \$192 500 (inclusive of GST), for a portion of the Lincoln Springs property to be provided to Beyond Billabong for its use as the boot camp location. To 31 December 2014, \$4 024 936 has been spent on capital infrastructure directly associated with it.

Under the terms of the expression of interest (EOI) for the SYBCs, each tenderer was expected to nominate a suitable property from which to operate the boot camps. In anticipation that a property nominated by any of the successful tenderers proved unsuitable, DJAG undertook a separate EOI to identify alternative properties in Cairns and Townsville to be funded by DJAG. Despite this being a likely outcome, DJAG did not establish a fully costed budget prior to entering into an agreement to sublease Lincoln Springs on 25 October 2013.

DJAG advised that the property nominated by Beyond Billabong in its June 2013 submission was no longer available when the Attorney-General awarded the contract to them in August 2013 to run a combined boot camp. Consequently, DJAG needed to source an appropriate location for the camp.

DJAG advised that, following an unsuccessful EOI process where no suitable expressions of interest were received, they conducted a further extensive search before seeking assistance from a stock and station agent. The agent identified the Lincoln Springs property, facilitated the meeting with the leaseholders and advised DJAG on the value of the sublease.

On 25 October 2013, DJAG entered into an agreement to sublease a portion of the Lincoln Springs land on which the SYBC was to be located, with the sublessors retaining possession of the remainder of the property. The property is Crown land which is being occupied by the sublessors under a perpetual pastoral lease.

The sublease, which was signed by DJAG on 2 January 2014, is for an initial period of two years from 18 December 2013 for the annual rental of \$192 500 (inclusive of GST) with a CPI adjustment in the second year.

The sublease also includes an option for DJAG to extend the sublease for a further two years. DJAG confirmed that to date this option has not been exercised.

While not part of the terms of the sublease, in August 2014, DJAG agreed to pay the sublessors an amount of \$250 per month to maintain the rubbish dump on the property. These payments commenced with effect from June 2014.

Figure 3D provides a summary of payments made to the sublessors of Lincoln Springs for the period from the start of the lease, 1 November 2013 to 31 December 2014.

Figure 3D
Payments for Lincoln Springs sublease 1 November 2013 to 31 December 2014

Nature of payment	Amount \$ (GST inc)
Lease rental	241 877
Maintenance of dump	2 250
Contribution for relocation	10 000
Legal costs and disbursements	21 994
Total	276 121

Source: DJAG financial system

A substantial portion of the capital and operating budget expended to set up the boot camp facility is not related to the establishment of the camp infrastructure and has provided direct benefit to the sublessors without any reciprocal benefit being provided to the state.

DJAG have spent \$240 410 on renovations to the sublessors' residences, upgraded their grounds and services, contributed approximately \$27 000 to the cost of a new hay shed, and paid them relocation expenses of \$10 000, and \$22 000 to cover their legal expenses.

The sublessors will benefit from these capital improvements, and improvements made to the main residence, currently part of the boot camp facility, which under the terms of the lease, will revert to them at the end of the lease term for no cost.

The departmental evaluation panel for the Townsville SYBC concluded that their preferred supplier from the EOI process identified possible sites for the boot camp that were considered feasible. This preferred supplier, which was endorsed by the Director-General, was not approved by the Attorney-General. As such it remains unclear whether the department would have had to invest any capital funds in establishing a sentenced boot camp had this preferred supplier been selected.

3.4 Service cost comparisons

3.4.1 EIYBC

Rockhampton

The contract for Rockhampton was awarded to QPCYWA for two years from 30 September 2013 to 29 September 2015 for funding assistance to provide services to a minimum of 60 young persons (over two years) at a total cost of \$421 320 per annum. Funding of \$35 595 was provided for once-off capital and set up expenses.

Value for money is demonstrated for Rockhampton, as QPCYWA were both the lowest cost and highest quality tender.

Three camps for a total 30 young persons are to be held annually. This equates to an annual cost of \$14 857 per participant.

Payments to QPCYWA from 1 July 2014 have been increased by 2.5 per cent to reflect a CPI increase. The funding over the two year trial is now expected to total \$891 435.

Fraser Coast

The contract issued to Oz Adventures (Hard Yakka) to operate the Fraser Coast EIYBC does not represent best value for money, as the cost per participant is \$5 500 higher than the evaluation panel's preferred tenderer and \$2 900 higher than the service provider for the Rockhampton EIYBC.

For Fraser Coast, the contract was awarded directly by the Attorney-General to Oz Adventures for two years from 1 October 2013 to 30 September 2015 for funding assistance to provide services to a minimum of 40 young persons (over two years) at a cost of \$349 410 per annum. Payments from 1 July 2014 have been increased by 2.5 per cent to reflect a CPI increase. No funding was provided for once-off capital and set up expenses. The funding over the two year trial is expected to total \$709 720.

Four camps for a total 20 young persons are to be held annually. This equates to an annual cost of \$17 743 per participant.

The best quality service provider recommended by the EOI evaluation panel offered \$488 750 per annum, or \$12 219 per participant. The evaluation panel ranked the provider above Oz Adventures in all assessment criteria.

The cost 'premium' paid for Oz Adventures is around \$5 500 per participant compared to the evaluation panel's preferred tenderer and \$2 900 per participant compared to the Rockhampton program. Prima facie this indicates that better economy in purchasing could have been achieved for Fraser Coast. No documentary evidence was provided by the Attorney-General to support his view that the Oz Adventures contract provides better value for money.

3.4.2 Super SYBC—Townsville and Cairns

Initially a cost plus fee-for-service contract for the SYBC was executed on 30 October 2013 and ran until 27 October 2015. Under this contract Beyond Billabong were to be paid \$2.2 million per annum and were required to provide the following services to 84 young persons:

- residential boot camps
- community supervision boot camps
- mentoring services.

There are a number of facts that indicate value for money in procurement of these services is not being achieved:

- Beyond Billabong were awarded a profit margin of 15 per cent. The \$2.2 million funding comprises itemised boot camp operating costs plus a 15 per cent margin of \$278 525 per annum, described in the contract as 'return on investment'. We are unable to determine what 'investment' Beyond Billabong has made. Subsequent to awarding the contract, the state provided the capital costs associated with the program. In this context, the return on investment takes on the character of a 'profit margin'. All other EOI offers for either Cairns SYBC or Townsville SYBC were received from not for profit organisations. The inference is, that had the contract been awarded to a not for profit entity, the state would not otherwise have been required to pay this profit margin.
- The state is funding start up costs for Beyond Billabong. In a schedule contained in the original contract, Beyond Billabong itemised their outlays to arrive at the contracted amount of \$2.2 million (less the above profit margin). A number of these costs are of the character of 'start up' costs, for example recruitment of \$88 000. This is despite Beyond Billabong being chosen for their experience. Some costs are not directly attributable to a SYBC program, such as the stated cost of office rent of \$40 000 and website \$5 000. These type of costs total \$162 000. In addition, Beyond Billabong have requested reimbursement of costs not itemised in this schedule. We understand that DJAG sought Crown Law advice in respect of these items and were advised that payment of expense items not included in the schedule or above the amount stated in the schedule was at the discretion of DJAG. In addition, it was advised that payments totalling above the annual contract amount of \$2 200 000 were also at the discretion of DJAG.

Figure 3E provides a summary of payments to Beyond Billabong from 30 October 2013 to 31 December 2014.

Figure 3E
Payments to Beyond Billabong from 30 October 2013 to 31 December 2014

Nature of payment	Amount \$ (GST inc)
Service fees under the contract	2 854 484
Travel and accommodation for Beyond Billabong CEO site visit during construction	2 876
Flight and accommodation for Beyond Billabong CEO for Brisbane workshop	367
Kilometric allowance for participants' travel to and from boot camp	7 104
Kitchen, laundry and other utensils	2 654
Outfitting of participants	7 820
Total	2 875 305

Source: DJAG financial system

3.4.3 Variations to Beyond Billabong contract

In awarding the contract for the SYBC to Beyond Billabong, the Attorney-General advised us that he took into account the fact that they had tendered a budget that was based on running two camps to achieve economies of scale.

It would be reasonable to assume that there could be potential for further economies of scale to be achieved from running a combined camp, as opposed to two separate camps, but this does not appear to have been considered before the Attorney-General awarded the contract for the full price tendered by Beyond Billabong of \$4.4 million over two years.

Achievement of economies of scale is difficult to sustain based on experience to date, given that less than one year into its two-year term, DJAG considered it necessary to amend the contract and provide Beyond Billabong with substantial additional funding. The contract was varied on 27 October 2014 and these variations took effect from 25 July 2014.

DJAG indicated that the funding increase was based on a targeted increase in participant numbers of 100 young people per annum from the original contracted target of 84 young people per annum, but this is not supported by actual participation rates between October 2013 and December 2014 of 42 young people—half the target figure stipulated in the original contract.

A number of other amendments to the terms and conditions of the contract indicate that the original contract was poorly constructed. This is supported by the fact that DJAG, after seeking advice from Crown Law, made a number of payments to Beyond Billabong for items of expenditure not covered by the original contract.

The deed of variation provides for a comprehensive overhaul of the original contract with the main amendments to the cost of the program being as follows:

- The annual fee has increased from \$2.2 million to \$2.9 million no matter how many young people are sentenced to the boot camp program.
- An additional output payment of \$18 000 is made for each participant commencing the boot camp program at the boot camp location during a monthly period over and above seven participants commencing during that monthly period.
- A \$3 000 phase completion incentive fee is paid per participant who completes the order between 25 July 2014 and 27 October 2015 and who:
 - remains involved with the service provider
 - does not reoffend during the residential phase or community supervision phase.
- A \$5 000 six month incentive payment is paid per participant who completes the residential phase and community supervision phase and achieves the following during the period 25 July 2014 and 27 October 2015:
 - remains involved with the service provider for the six month period
 - does not reoffend during the six month period.
- A 50 per cent incentive payment (in lieu of the above incentive payments) is available to the service provider where participants remain involved with the service provider but are charged with new offences at a reduced rate or reduced seriousness than the most serious offence for which they were sentenced to the boot camp.
- Examples of operating and program costs covered by the fee have been identified but are no longer limited to specific dollar values. Beyond Billabong could request payment for a cost not included in this schedule and payment would be at DJAG's discretion.
- DJAG is responsible for costs relating to gas, electricity, and water service provided to the facility and fuel for the on-site generators.
- The service provider is responsible for the cost of repairs and maintenance for accidental or deliberate damage caused by staff or participants.

These amendments increase base funding by \$875 000 over the life of the contract.

The financial impact of the introduction of incentive payments cannot be accurately determined at this time as they are dependent upon participation numbers and rates of reoffending.

The boot camp trial was established to identify an alternative but effective solution to reduce levels of youth criminal and antisocial behaviour and to discourage repeat offenders. If DJAG are now having to provide further financial incentives to Beyond Billabong to achieve what are considered to be fundamental program outcomes, this indicates some shortcomings in the level of services originally contracted. It further supports the view that the contract with Beyond Billabong does not represent the best value for money that the state could otherwise have obtained.

3.5 Recommendations

It is recommended that DJAG:

- 2. advises decision makers of the financial implications of their decisions where they are not consistent with recommendations arising from a tender or expression of interest (EOI) process**
- 3. produces complete budgets that incorporate all recurrent and capital costs likely to be associated with program trials as part of the initial decision making process, and progressively update these based on actual experience**
- 4. undertakes an early assessment of the cost effectiveness of the boot camp trial to minimise any further costs to the state that may arise from any further extension of the program under current contractual arrangements.**

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Appendix A—Comments

In accordance with s.64 of the *Auditor-General Act 2009*, a copy of this report was provided to the Attorney-General and to the Director-General of the Department of Justice and Attorney-General with a request for comment. A copy was also provided to the former Attorney-General, as a person with a special interest in the report, in accordance with s.64(3), as well as to the service providers and property sub-lessors.

Responsibility for the accuracy, fairness and balance of the comments rests with the head of these agencies.

Comments received from Director-General, Department of Justice and Attorney-General



Comments received from Director-General, Department of Justice and Attorney-General

(2)

DJAG has advised the Attorney-General that no further extensions to boot camp funding will be requested until evaluation outcomes are known. However, DJAG does not believe that the boot camp programs have been operating long enough to determine if real, long term outcomes are being achieved. The Australian Institute of Criminology recommends a minimum one year recidivism follow up period post completion of a program. As noted in the audit report, it is the case with many piloted programs that the identification of long term outcomes requires that the program be in operation for an extended period, particularly those programs involving juvenile offenders with complex offending behaviours.

Context of the boot camp procurement and implementation

There are a number of issues to consider in the context of the entire boot camp procurement process and subsequent implementation, the significance of which are not adequately reflected in the audit report.

Firstly, it must be noted that the former Government had made an election commitment to implement boot camps for young offenders in Queensland. The former Government's clear expectation was that the youth boot camps would be delivered quickly and that DJAG would do all that it could to make sure the boot camp programs successfully contributed to reducing youth crime and maintaining community safety.

The audit findings make reference to research and experience about boot camps in other jurisdictions which suggest that their effectiveness in reducing recidivism cannot be sustained over longer terms. While this may be the case in relation to the military style boot camps trialled in other jurisdictions, the Queensland model is considerably different from these models and is yet to be evaluated. The term "boot camp" is unfortunate as the Queensland program is not military in style, and is different in design and delivery to the American style boot camps.

DJAG undertook considerable research and consultation to determine the best model for the boot camps trial. The current models in terms of both early intervention youth boot camps (EIYBC) and sentenced youth boot camps (SYBC) are substantively different from the traditional approach of military style youth boot camps that the former Government initially envisaged.

Military style youth boot camps emphasise strict discipline and respect for authority. A typical day involves scheduled activities including military drill and ceremony, and physically demanding labour and/or physical activities. These camps were initially introduced in the United States to reduce prisoner overcrowding and were meant to act as a viable alternative to incarceration. They generally only include a period of time where participants are isolated from their family and community in a residential facility, in a defence style environment. On completion of the residential phase the participants are returned to their community with no further support or follow-up. The theory behind the military style boot camp is that a gruelling and regimented experience will discourage future offending and instil discipline, responsibility and self-esteem.

Comments received from Director-General, Department of Justice and Attorney-General

(3)

By contrast, the programs implemented in Queensland involve intensive program support, individualised case management and mentoring in the community, with up to 12 months support to participants and their families. The programs provide structure, personal discipline and physical activity while allowing for personal development, self-esteem building and addressing the causes of offending behaviour.

Early indications are that the boot camp models are realising some initial success, particularly in terms of reduced offending, improved engagement with education and improvements in participants' relationships with their families.

The research and consultation process DJAG had undertaken to develop the model took longer than expected, and by the time the original services were procured the original six month commitment to implement youth boot camps had expired. Then early in the SYBC pilot, there was a major incident in Kuranda involving the absconding of program participants and the commission of a number of serious offences which resulted in the program ceasing. By the time the expanded youth boot camp trial was fully funded and implemented, one and a half years had passed since the original election commitment.

Value for money

There are a number of matters to consider when determining whether a pilot program has achieved value for money, particularly in terms of a new initiative such as the Queensland youth boot camps. Value for money cannot be based on cost alone and requires consideration of other factors such as outcomes and benefits. It is too early to determine the trial's long term benefits to the community and for young people; however the independent evaluation will include a cost benefit analysis that will indicate whether the services purchased have delivered early value for money for the Government and the community. The audit report confirms this on page 7 where it suggests "*the value for money question can be definitively answered only over a longer period than has elapsed to date....*".

The report indicates that the contracts awarded over the trial are greater than the approved funding amounts (\$4.9 million). This statement is misleading as it implies that DJAG awarded contracts without approval of the true service provider costs. It is true that the provider contracts totalled a higher amount than the amount originally approved by the then Attorney-General for procurement (\$5.3 million). However, in approving and announcing the successful youth boot camp providers, the then Attorney-General approved a total of \$6.9 million in funding allocations across the period of the trial, with the additional funding being sourced from internal DJAG savings. This related to the expansion of camp locations and additional resources required for the Gold Coast Early Intervention Boot Camp.

Comments received from Director-General, Department of Justice and Attorney-General

(4)

The report refers to estimated cost over a two year period of \$12.3 million. This is misleading because at the completion of the pilot in October 2015, the trial will have been conducted over a three year period. Further, the delineation between funds to providers (\$6.9 million) and cost associated with infrastructure and security should be more clearly defined. The \$5.4 million for infrastructure and security is largely contained, as noted in the report, in establishing the Lincoln Springs facility, which is discussed later in this response.

In determining value for money the following matters should be considered:

Beyond Billabong submission

The submissions received from Beyond Billabong indicated their budget was inclusive of two locations. DJAG considers that economies of scale in relation to management, operational and organisational costs were already reflected in this budget. While it is not definitively known that further savings could have been achieved from a subsequent expression of interest process for a combined site, DJAG was of the opinion the budget provided by Beyond Billabong was appropriate for a combined site given that participant and staffing numbers and program delivery costs would not have changed in terms of economy of scale. Furthermore, by combining the two SYBC sites into one location, DJAG effectively increased travel costs for staff of the provider. At the time no additional allowance had been provided for this purpose.

Beyond Billabong contract

The former Government was committed to outsourcing services to previously excluded organisations, such as businesses and aligning grants processes with procurement processes. They were well aware that contracting commercial enterprises in this way would inevitably involve a profit-driven cost component. The costs outlined in the SYBC budget are all related to the service delivery of this program and are in line with costs that would generally be found in service agreements with not-for-profit organisations. Furthermore, not-for-profit service agreements typically also include a contribution to the management and operation of an organisation. This fee is often labelled a management, administration or auspicing fee, and corresponds with a profit margin in a commercial contract. DJAG's procurement services confirmed that the 15% profit margin included in the Beyond Billabong contract was consistent with other commercial contracts and with the equivalent fee in a not-for-profit contract.

SYBC property

The evaluation plans for the SYBC tenders stated that, for the purpose of assessing SYBC tenders only, the information contained in the submissions relating to the acquisition of a property should be removed from consideration as this was not mandatory and may well be met through a separate EOI process. Given that all considerations regarding the property were removed from the evaluation of the submissions for SYBC and that submissions were evaluated on their program content alone, DJAG considers it unlikely that the prospective tenderers knowing that the Government was willing to provide and fund a suitable facility would have resulted in different outcomes or different program cost implications to the Queensland Government.

Comments received from Director-General, Department of Justice and Attorney-General

(5)

Beyond Billabong did identify potential properties for the SYBC in their tender, however these properties were no longer available when the Attorney-General awarded the SYBC contract. Beyond Billabong was then actively involved in the search for a suitable property with DJAG.

Following the critical incident at the original Cairns SYBC, where a group of young people absconded from the residential centre and the program was ceased, the then Attorney-General advised DJAG that the SYBC property must be in a remote location, with no close neighbours and the property owners needed to be willing and able to make the property available by October 2013.

DJAG considered it would be highly unlikely to find an already established, suitable property that met the parameters set by the former Attorney-General for the residential facility and that a capital outlay by DJAG was therefore likely to be necessary. DJAG decided to make the facility mostly relocatable (82% of the built infrastructure is relocatable) so that if the SYBC is ceased, the infrastructure, totalling \$2.9 million, can be used elsewhere or sold to recoup some of the costs for DJAG. It is highly unlikely that any non-Government provider would have been able to accommodate the level of security and accommodation that was required to meet the needs of the former Government without further budgetary supplementation.

Sublease for SYBC centre

The subleased portion of Lincoln Springs Station used by the SYBC includes the main residence on the property. The lease-holders agreed to relinquish the use of the main residence on the property to the Queensland Government and move into a smaller home on the station as the smaller residence would have required considerably more work to make it appropriate to house young offenders. DJAG agreed to provide renovations to the smaller home such as flooring, painting, a new kitchen and air-conditioning to provide a comfortable and functional residence for the lease-holders. Additionally, the sublease area took in the large sheds that were being used by the property owners to store machinery and feed. With their move to the smaller residence, the owners did not have anywhere to store their machinery and feed.

To assist in this rearrangement, DJAG agreed to contribute to the relocation and legal costs and disbursements in the agreement to sublease which was negotiated with the lease-holders prior to the signing of the sublease. Crown Law was involved in these negotiations.

While the subleased area is only a small portion of the Lincoln Springs Station (61.1 hectares of 26,625.1 hectares), the property owners have nevertheless agreed to allow the SYBC program to use the entire station for programs and activities through committing to an access agreement. The cost of the sublease at \$175,000 is considered value for money given the size of the property that is consequently available to the SYBC program.

Comments received from Director-General, Department of Justice and Attorney-General

(6)

Supply of security staff

At the time of the SYBC tender process, there was no expectation that DJAG would supply Queensland Corrective Services (QCS) staff to provide security at the SYBC centre/s. Concerns regarding personal safety were raised by members of the local community surrounding Lincoln Springs Station at a community consultation in early December 2013. As a result, the former Attorney-General directed QCS to provide two officers to the SYBC to enhance security and safety at the SYBC centre.

Fraser/Sunshine Coast EIYBC value

The report mistakenly indicates that in the case of Oz Adventures that DJAG was paying \$2,900 more per participant than the Rockhampton Queensland Police-Citizens Youth Welfare Association (QPYCWA). This appears to be based on the wrong number of participants expected per year. The submission received from Oz Adventures for the Fraser/Sunshine Coast EIYBC was the second lowest costed submission reviewed in terms of total cost. The Fraser/Sunshine Coast EIYBC actually costs DJAG \$8,735 per participant commenced, which is \$2,243 per participant less than the Rockhampton EIYBC and \$5,209 per participant less than the Gold Coast EIYBC.

Costs and variations to SYBC contract

There is another matter noted in the report that requires correction, namely the statement that a number of variations have occurred to the contract with Beyond Billabong. This is incorrect, as there is only one instance of variation to the contract with Beyond Billabong for the SYBC program. This variation was confirmed by Crown Law.

This variation occurred once the SYBC program had been in operation for six months. The original contract was developed quickly as a result of the former Government's imperative and the then Attorney-General's requirement to have the SYBC program available to take young people by the end of 2013. The variation process allowed DJAG to review the entire contract, including the service model and real costs that were initially identified in light of a new and changing program model.

There were clear rationales for the changes that were made to the contract with Beyond Billabong. These included:

- The need to rectify a number of issues identified in the original contract including but not limited to responsibility for maintenance and repair of damage and discrepancies in the expected SYBC program model. These were deferred to the provider under the new contract.

Comments received from Director-General, Department of Justice and Attorney-General

(7)

- The anticipated impact of the mandatory boot camp (motor vehicle) orders which commenced in April 2014. While variability in offending and sentencing patterns made it difficult to accurately predict exactly how many participants would be sentenced to the program after introduction of this second category of motor vehicle boot camp order, DJAG did not want to be in a position where young people's admission to boot camp orders had to be placed on hold until a program became available. Program numbers were estimated to go from 84 to 144 young offenders per year. There is no ability to accurately predict levels of crime or sentencing outcomes in this regard. Further, it should be recognised that regardless of the numbers sentenced, matters such as infrastructure, staff and programs were required to be in place to cater for the expected increased numbers of young offenders.
- The impact on operating costs arising from the former Attorney-General's commitment to provide the SYBC in a remote location given the catchment had been widened.
- The opportunity to link Beyond Billabong's profit margin to the achievement of real outcomes and benefits. The amendment allowed DJAG to replace Beyond Billabong's flat 15% profit margin in the original contract with a payment by outcomes arrangement. This was designed to ensure value for money.

Clarification requested in the report

There are a number of other statements in the report that the Queensland Audit Office may wish to reconsider. These are:

- References to the Safe Streets Crime Action Plan on pages 1 and 5 should read as Safer Streets Crime Action Plan – Youth Justice.
- The Gold Coast EIYBC program was contracted in November 2012 and the first program commenced in February 2013. The Cairns SYBC was contracted in December 2012 and started taking young people in April 2013. The report states on pages 1 and 6 that the program commenced in January 2013.
- The SYBC target group referenced in the summary section on page 1 is correct for the original boot camp order, but is not correct for the mandatory boot camp (motor vehicle) order. The SYBC target group was expanded with the introduction of the mandatory order, which requires young offenders who are found guilty of three or more unlawful use of a motor vehicle offences over a 12 month period and who live in the prescribed area. There is no requirement that this expanded cohort be entrenched in offending or facing a sentence of detention.
- In the panel recommendations to the Director-General (page 14) the report states "*the panel recommendation of 17 July 2014...*". This date is incorrect and should read "*17 July 2013*".
- In the conclusions to the Cost Effectiveness section on page 17, the report states that "*largely the result of infrastructure costs and security services which originally were intended to have been provided under the contract*". This is incorrect as there was no requirement under the original contract that Beyond Billabong be responsible for infrastructure or security service costs.

Comments received from Director-General, Department of Justice and Attorney-General

(8)

- The report states on pages 19 and 22 that there is no provision in the contracts for CPI increases and yet CPI increases have been provided. While this is correct, that does not mean that this increase is not required to be paid and DJAG requests that QAO revise the language used in these sections. The CPI increase is triggered by an annual letter from Queensland Treasury that states the indexation percentage that is to be paid as part of all state grants for the following financial year to non-Government organisations in the human services sector to reflect movements in the wage price index and inflation. To this end, a standard term of all service agreements states that DJAG may increase funding from time to time without a variation to the service agreement. All the EIYBC service providers have a service agreement with DJAG and therefore it is a requirement of DJAG to pass on the CPI increases. Beyond Billabong is on a contract and does not receive CPI increases.
- The report states on page 20 that the contract clearly assigns the responsibility to Beyond Billabong to provide suitably qualified and trained security staff. This is incorrect. The contract states that Beyond Billabong is required to provide suitably qualified, trained and experienced staff to deliver the SYBC program and manage the complex needs and behaviour of participants. The contract does not include a requirement to provide suitably qualified and trained security staff.

Consideration of tender process outcomes by the Director-General

In respect of my consideration of the tender process outcomes, I confirm that I endorsed the panel's recommendation to appoint QPCYWA for the Rockhampton EIYBC, and the recommended Townsville service provider. In both cases, the relevant tender documents were submitted to me on the day they were prepared, and I was provided and relied upon an oral briefing from the previous Assistant Director-General, Youth Justice, Mr Steve Armitage.

It was imperative that I consider these matters urgently, given that Parliament had already created the legislative head of power for Courts to sentence young people to participate in a boot camp program and the former Government's very clear public commitment to deliver the boot camp program.

In relation to the Fraser Coast EIYBC, the brief provided to me was prepared on 17 July 2013 and subsequently noted by me on 22 July 2013. Unlike the previous briefs, when I relied on oral briefings, in the instance of the Fraser Coast EIYBC I further perused the full suite of documents. Having done so, I had a number of issues with the recommendations. My concerns and questions, however, were not so significant that I was not prepared to accept the recommendation, but nonetheless raised issues requiring clarification. For this reason, I noted the submission, rather than either accepting it or approving it.

Comments received from Director-General, Department of Justice and Attorney-General

(9)

Subsequent to my endorsing and noting the tender process outcomes, I considered further the significant issues relating to the absconding from the first sentenced boot camp which resulted in serious offences being committed and a member of the community being assaulted. I reflected that the process had been fast tracked, and therefore determined to give fuller consideration to the tender process, particularly in terms of service providers' experience in dealing with troubled and in some cases violent youth offenders in a residential environment. Those further considerations were detailed in an email to the former Attorney-General's Chief of Staff which described the further concerns I had with the outcomes of the rushed process.

In terms of my support for the QPCYWA tender in Rockhampton but not on the Fraser/Sunshine Coast, I also took into consideration that the boot camp program was a pilot and that awarding two sites to the same provider would limit the learnings and potential for innovation in service delivery. Again, I believe this decision to make the most of the opportunity to trial different service providers and models was warranted in the public interest.

Importantly, I was very concerned with the panel's recommendation that if QPCYWA were awarded both the Rockhampton and Fraser/Sunshine Coast EYBC contracts, there would have been an access issue impeding delivery of the residential phase of the program. Both potential providers would have required access to the PCYC facility in Numinbah Valley on the Gold Coast, possibly limiting the number of places available in the programs' residential phases to less than what was required by DJAG. There were also significant issues of community safety to consider when so many young people were potentially attending the residential camp.

The decision by the then Attorney-General to conduct his own evaluation of the tender process was carried out independently of DJAG. I was not familiar with any of the providers that the then Attorney-General appointed, and had no influence in that decision making process.

Thank you for providing DJAG an opportunity to respond to the report on the Audit of the Procurement of the Youth Boot Camps. If you require further information in relation to this response, please contact Ms Toni Craig, Acting Director, Youth Justice Policy, Performance, Programs and Practice, DJAG, on (07) 3006 4127.

I trust this information is of assistance.

Yours sincerely



John Sosso
Director-General

Auditor-General response



Your ref: 54572/1; 2607247
Our ref: 10785
Ms Karen Johnson 3149 6017

2 April 2015

Mr D Mackie
Acting Director-General
Department of Justice and Attorney-General
GPO Box 149
BRISBANE QLD 4001

Dear Mr Mackie

Youth Boot Camp Program – Audit of procurement processes

Thank you for the letter dated 16 March 2015 from the Director-General commenting on my proposed performance audit report to Parliament on the Procurement of Youth Boot Camps.

I note the feedback on the report recommendations and the actions taken to date to address these recommendations.

The remainder of the letter provides additional context judged by the Director-General as necessary to provide a balanced and fair view. In my view a number of these comments require further clarification, if such balance and fairness is to be achieved. These have been provided in the attachment to this letter.

In the interest of transparency I have included this letter in my report to Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Greaves', is written over a printed name and title. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Andrew Greaves
Auditor-General

Enc.

Auditor-General response

Attachment

Reference to Director-General's response Page and paragraph	Further comments
<p>Page 4, paragraph one The cost of the program is misleading.</p>	<p>The \$12.3 million costing in the report refers only to costs incurred to date during the two year expanded program. The original programs at Cairns and the Gold Coast may have been running for three years, however the procurement process and costs of these programs was outside the scope of our report.</p>
<p>Page 4, paragraph two The basis on which Beyond Billabong expressed interest is incorrect.</p>	<p>We have reviewed the EOI submitted by Beyond Billabong and have also considered their response to this report. We note the EOI submission was poorly worded and this has resulted in confusion between the Department and Beyond Billabong as to whether one or two camps were tendered for. Beyond Billabong have stated their budget was inclusive of one location that would accept participants from two locations. The department assessed their tender based on EOIs for two separate locations, but combined them for the Super boot camp and accordingly paid double the amount of the EOI offer.</p>
<p>Page 4, paragraph three The assertion that a 15% profit margin paid under the Beyond Billabong contract was consistent with the equivalent fee in a not-for-profit contract that represented a contribution to its management and operations.</p>	<p>The original contact with Beyond Billabong contains Schedule 1 which itemises approved costs that will be paid by the Department. These approved costs include costs of management and operations such as accounting, bank charges, internet, office supplies, postage, subscriptions, and telephones. As we noted in section 3.4.2 of the report at paragraph two, dot points one and two, the 15% profit margin has been paid over and above these costs.</p>

Auditor-General response

Reference to Director-General's response Page and paragraph	Further comments
<p>Page 4, paragraph four The decision to remove consideration of the information contained in the EOI "relating to the <u>acquisition</u> of a property".</p>	<p>The information requested in the EOI and the evaluation criteria did not call for a property to be acquired. EOI submissions were asked to provide details of properties assessed as suitable for the camp component.</p> <p>All EOI's provided property locations, details of facilities available and costs associated. Therefore we consider it would be highly likely different tender outcomes could have been achieved should the submitters have known the Government was willing to provide and fund a suitable facility and consider a combined super boot camp.</p> <p>On page 5, paragraph one of the response it is stated that Beyond Billabong was actively involved in the search for a suitable property. No other service provider was provided the option to help search or to revise their EOI to achieve economies of scale.</p> <p>We note the proposed camps and costs were excluded from evaluation, leaving the submission to be evaluated on program content alone. This still resulted in QPCYWA being the highest ranked tender.</p> <p>We note the community safety concerns that followed the incident at the original Cairns SYBC. However the inference in the response that this caused the change in the EOI evaluation process is unsupported, as the Cairns incident occurred in April 2013, before the EOI process commenced.</p> <p>Finally, if the Department had already determined that it was highly likely that they would have to make a capital outlay for a suitable property it is unclear why this cost was not factored into the original approved program budget (\$3.1 million in the 13-14 Budget Estimated hearing).</p>
<p>Page 5, paragraph three The assertion that the built infrastructure provided is mostly relocatable and could be used elsewhere or sold.</p>	<p>Our review of the construction work program and contracts indicates that \$1.3 million of costs were incurred on non-relocatable improvements and buildings. Further your department has advised us that the \$2.7 million in relocatable structures are being depreciated over a two year period that represents their useful life. The costs to dismantle, make ready for sale and transport these demountables also has not been considered in the response.</p>
<p>Page 6 paragraph 2 That the costs per participant stated in the report are incorrect.</p>	<p>These amounts are in accordance with the service agreement between the service provider and the Department, and the EOI evaluations prepared by your Department.</p>
<p>Page 6, paragraph three That we have made an error in stating that a number of variations have occurred to the contract with Beyond Billabong.</p>	<p>We draw your attention to report section 3.4.3 on page 24 where we had stated the contract was varied only once, but that many variations to the terms of the original contract were made.</p>

Auditor-General response

Reference to Director-General's response Page and paragraph	Further comments
Page 7, dot point eight That there is no requirement under the contract for Beyond Billabong to be responsible for infrastructure or security costs.	The contract signed with Beyond Billabong in October 2013 states in clause 3.3 that service provided must: a) provide for the safety of participants at the boot camp centre b) maintain discipline and good order at the boot camp centre for community safety. It is further stated in clause 4 that the service provider must ensure its employees are suitably qualified and adequately trained. Beyond Billabong have advised us they have suitably qualified staff who are able to provide security services.

Comments received from CEO, Beyond Billabong



24 March 2015

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
Level 14, 53 Albert Street
Brisbane QLD 4000
Via email: Karen.Johnson@qao.qld.gov.au

Dear Mr Greaves,

Re: Audit on procurement of youth boot camps – reference no. 10785

Beyond Billabong has a proven track record of empowering some of Australia's most disadvantaged people to lead productive and fulfilling lives. Our methodologies and key philosophy of *mentoring with care and love* are unique and have delivered life-changing outcomes for vulnerable and marginalised people over many years. We are proud of the outcomes being achieved in the sentenced youth boot camp program which is providing intensive therapeutic services and support to young people and delivering world class results.

In everything we do we act with integrity and in good faith. We welcome the KPMG review of the Youth Justice boot camp programs which is assessing their effectiveness and cost benefits to government. The value of our services will be and should be determined by whether we have delivered for the government and the people of Queensland in reducing recidivism and improving community safety and how these results compare with other programs and services working with similar youth.

As one of the very few service providers in Queensland with extensive experience delivering therapeutic residential programs in a remote setting, we truly understand the operational and logistical challenges and costs involved in implementing such a program. We submitted an expression of interest that was realistic and appropriately resourced to deliver high quality services and outcomes for government and young people. In line with the *Queensland Government Procurement Policy 2013*, non-cost related factors such as quality, capacity to deliver, service and support must be considered when assessing value for money. The report excerpts that we reviewed focussed on price and failed to adequately consider these non-cost related factors which we believe are vital when considering service provision to highly vulnerable youth with complex needs.

When assessing the contracting arrangements between DJAG and Beyond Billabong, the report fails to take into consideration the significant change in operating environment that occurred six months into the contract following the introduction of mandatory sentencing legislation which came into effect in Townsville in May 2014 and in Cairns in October 2014. Beyond Billabong, DJAG and other stakeholders, including the Office of Public Guardian, recognised the significant impact mandatory sentencing would have on the dynamic and operational risk of the program with the majority of young people no longer having a choice as to whether they participated in a boot camp as a sentencing option.

Page 1 of 2

Comments received from CEO, Beyond Billabong

In addition, the legislative change increased the likelihood of young people being sentenced to the program with limited to no previous contact with DJAG, thus presenting challenges in obtaining information regarding a young person's history, physical and mental health, cognitive and behavioural issues, among other factors. The contract variation introduced in October 2014 reflects the increased resourcing required to ensure the safety and wellbeing of participants in this revised and more challenging operating environment as well as the expanded program capacity from 84 to 144 participants.

It is important to note that neither Beyond Billabong nor DJAG have control over the sentencing of young people to the program, this is a matter determined by the courts. With mandatory sentencing now in place across both Townsville and Cairns regions participation rates have been steadily increasing in line with projected figures. Due to the variable nature of sentencing, where court hearings may be adjourned or alternate sentences given (for non-mandatory orders), predicting the weekly capacity of the program in advance is not possible. Despite this uncertainty, Beyond Billabong must ensure the program can accommodate up to the maximum capacity at any time to ensure young people are not remanded in custody. The majority of operating costs are fixed, however Beyond Billabong does make changes to programming and resourcing levels to the greatest extent possible based on participant numbers in order to maximise cost efficiencies.

The report's claim that Beyond Billabong has not been required to meet tender or contract obligations in relation to the provision of a suitable property and security services is misleading and incorrect. Beyond Billabong submitted an EOI for the service delivery component only. A separate EOI process was held for selection of a suitable property and Beyond Billabong did not tender for this component.

In relation to the safety and security of the residential program, Beyond Billabong is well qualified and continues to deliver these services within our legislative authority. The decision to roster Corrective Service staff at site was made by the Attorney-General prior to the commencement of the program, not in response to Beyond Billabong's performance. It is our understanding that the decision was made in response to the termination of the first sentenced boot camp delivered by another service provider within its first month of operation due to a security incident involving participants.

The report's claim that costs included in the contract do not directly relate to program service delivery is incorrect as is the claim that Beyond Billabong is receiving incentive payments to achieve fundamental program outcomes. Beyond Billabong may apply for a limited number of incentive payments for delivery of outcomes in excess of the contract's base performance measures. This recognises, but does not cover, the additional intensive resourcing required to achieve these targets.

Beyond Billabong is passionate about empowering young people with complex needs to address their offending behaviour and make positive life choices. With our extensive experience running therapeutic residential programs in remote settings, we are best placed to deliver this program. While outside the scope of this review, we are confident the formal evaluation of the program currently underway will demonstrate that Beyond Billabong is delivering value and world class results for Queensland government, communities and young people.

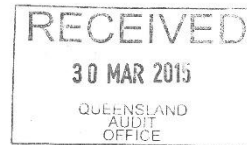
Regards



Boyd Curran
CEO, Beyond Billabong

Page 2 of 2

Comments received from Member for Kawana



Mr Andrew Greaves
Auditor General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Sent via email: andrew.greaves@qao.qld.gov.au

30 March 2015

Dear Mr Greaves

A handwritten signature in blue ink that reads 'Andrew'.

Thank you for your letter dated 27 February 2015 enclosing your draft report titled *Procurement of Youth Boot Camps* requesting my comments on the draft report.

I completely reject your conclusions set out in your draft report.

I note that I had a telephone conversation with Ms Karen Johnson, Assistant Auditor-General on 18 March 2015. Ms Johnson advised me that:

- (a) the draft report was completed late 2014;
- (b) you intended to table the final report in Parliament in January 2015;
- (c) the final report was not tabled as a General Election was called early January 2015;
- (d) you then intended to table the final report in Parliament on Thursday, 26 March 2015;
- (e) I will not see the Department of Justice and Attorney-General final comments on the draft report;
- (f) my response contained in this letter may, or may not, be printed in the final report;
and
- (g) if my response is printed in the final report, and contains information that speaks of the results or successes of the boot camp program, those comments will likely not make it into the final report.

With respect to point (g) above, I am of the view that the adequacy of the procurement process is intrinsically linked to the results or outcomes of the public expenditure, particularly in these circumstances where your draft report reflects on the expertise of the chosen boot camp provider.

I will not go into the detail of the expertise of the chosen providers, suffice to say, I still firmly hold the view that the boot camp providers chosen to deliver this government initiative were by far the better providers.

I ceased being the Attorney-General in February 2015. It seems odd to me that the draft report, which was finalised at the end of 2014, was not provided to me to allow me to respond (and thereby afford me natural justice) until 27 February 2015.

Jarrod Blejje MP | Member for Kawana | 5478 1189
kawana@parliament.qld.gov.au
PO Box 1200 Buddina QLD 4575

Comments received from Member for Kawana

Letter to Mr Andrew Greaves

30 March 2015

No longer being the Attorney-General when the draft report is provided, this has deprived me of the ability to make enquiries of my (then) departmental officers to ascertain the truth or otherwise of matters set out in your draft report, and acquire further information to properly respond to your request.

By my calculations, I have received a copy of the draft report some eleven weeks or more since the draft report was finalised.

I note that in my correspondence to you, dated 20 November 2015, I advised you that:

- (a) I considered that it was entirely open and appropriate for me, as the responsible minister, to independently assess the outcome of the tender process, and to form an objective view of the best-placed organisation to meet the obligations required in the various Expressions of Interest (EOI) processes;
- (b) The assessment was supported in Cabinet by my ministerial colleagues and the outcome of that process has realised reductions in offending, reengagement in educational programs, and improved relationships within families and local communities by young offenders;
- (c) In determining the method to be used for identifying the most appropriate organisations at first instance, it was I who approved the use of an EOI process. In reaching this decision I took into account the previous Bligh Government decision in March 2012 to announce direct funding to a boot camp program through a million dollar grant, which was not subject to any process to identify other suitable organisations;
- (d) I disagreed with the weightings the Department of Justice and Attorney-General (DJAG) had applied to the selection criteria for the Youth Boot Camp Program EOI process. As a result of the Cairns Sentenced Youth Boot Camp incident, I determined that the youth boot camp service providers must have the experience in delivering the camp phase of the boot camp program, and that they were able to ensure that community safety was of priority consideration for the program;
- (e) The successful providers needed to demonstrate value for money and be able to commence operations quickly;
- (f) On receiving the recommendations from DJAG, my office requested copies of all the tenders that had been received. We went through each tender individually and eliminated those that were clearly unsuitable. For those tenders that remained, we reviewed each of them in detail against the evaluation reports prepared by DJAG, as well as the criteria outlined above;
- (g) The analysis confirmed my views regarding the DJAG recommendations that, whilst the process undertaken by each team was rigorous, there was a fundamental failure to appreciate the importance of demonstrably experienced providers, particularly in light of the Cairns boot camp incident; and
- (h) I formed the view that the many of the recommendations were unlikely to fulfil the Government's policy agenda in relation to reducing youth crime.

Once this EOI process had been concluded and recommendations made to me I did take a keener interest in the organisations and their capacity to properly run a boot camp. I was not going to allow what happened at the first Sentenced Youth Boot Camp at Kuranda to occur again. It would, in my opinion, have reflected poorly on the government if the EOI process

Jarrod Bleijie MP | Member for Kawana | 5478 1189
kawana@parliament.qld.gov.au
PO Box 1200 Buddina QLD 4575

Comments received from Member for Kawana

Letter to Mr Andrew Greaves

30 March 2015

allowed the selection of an operator which failed to achieve the government's publicly stated objectives.

As you will recall, when the former government went through a similar EOI process for the first Cairns boot camp, recommendations were made by DJAG. I accepted that advice and a contract was awarded to Safe Pathways to deliver the first sentenced youth boot camp.

Approximately three weeks after the boot camp started, two juveniles obtained access to a knife and threatened staff at the boot camp before escaping. It was alleged that the two juveniles later robbed a 59 year old women in her home before being recaptured by Police at Kuranda.

Many organisations seemed to have expertise in running youth social justice programs, but not many had experience in running boot camps similar to what the government at the time envisaged for our now successful programs. This distinction was critical. What was intended by the government was not a purely social justice program. The style, and substance, of the proposed boot camp needed to reflect the criminal justice objectives of the program and nature of the activity, in concert with the care and protection objectives of the program.

The then Director-General of DJAG subsequently terminated the contract with Safe Pathways and the government promised a fresh start to the boot camp process. We also promised that it would be remotely located.

The process of the EOI was then undertaken. The panel did not recommend any provider for Cairns and I formed the view that the recommended provider for Townsville was not in a position to deliver the government's objectives of this program.

I had also received advice from the Director-General, in an email dated 21 August 2013, that in his view, while he was satisfied the procurement process was appropriate, it resulted in "flawed recommendations" and placed the government and DJAG in an "invidious" position. The results of the EOI process were suboptimal.

In hindsight, it appears as though the former government would have been better to directly fund the organisations with a proven track record without the need for an EOI process. Clearly, this was the Labor Party's position back in 2012 in respect of their own previous programs. The organisation chosen did have the runs on the board.

Having regard to all the circumstances, and your draft report, I stand by my decision to award the contracts to Beyond Billabong and Oz Adventures. In terms of the boot camps being an alternative to traditional detention, the preliminary results speak for themselves:

- (a) For the young people ordered to the sentenced youth boot camp, as at 30 June 2014, 83% had not re-offended after participating in the program;
- (b) For the early intervention youth boot camp participants, as at 6 June 2014, 91% had not entered the youth justice system since completing the program;
- (c) These are positive results compared to young offenders who have exited detention;
 - o Of those young offenders who exited a detention centre in 2011-12:
 - 61% returned to detention within a year;
 - 34% of those returned to detention after their initial exit within a period of less than 1 month; and
 - 9% returned within a period of one week.

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Comments received from Member for Kawana

Letter to Mr Andrew Greaves

30 March 2015

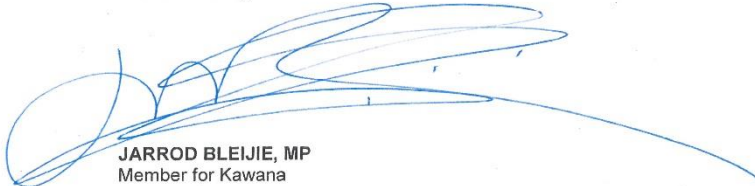
(d) Other outcomes show:

- o reduced behavioural problems;
- o improved parental monitoring, supervision and consistent disciplining;
- o improvements in resilience in the young people;
- o continued engagement with education; and
- o increased parental involvement.

At the end of the day I was motivated by two things – the security and wellbeing of Queenslanders, and the broadening of sentencing options for young offenders.

Finally, I do hope that the inaccuracies relating to your office's summary of key facts during this audit has been appropriately responded to as part of a separate response that I assume DJAG has prepared.

Yours sincerely,



JARROD BLEIJIE, MP
Member for Kawana

Cc/- Ms Karen Johnson

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Auditor-General response

Your ref:
Our ref: 10785
Ms Karen Johnson 3149 6017



2 April 2015

Mr J Bleijie MP
Member for Kawana
PO Box 1200
BUDDINA QLD 4575

Dear Mr Bleijie

Youth Boot Camp Program – Audit of procurement processes

Thank you for your letter of 30 March 2015 which provides commentary on my draft report. At your request, I agreed to extend the deadline to accept your response because of the personal reasons you raised with me in your letter of 18 March 2015.

You raise a concern that you were not afforded natural justice, based largely on the timing of issue of the draft report and your access to it. As you acknowledge the early election was one factor that affected the timing of issue and subsequent tabling of the report. The requirement to issue of a draft report under the Audit Act and obtain and publish comments is the process established by the legislature to ensure natural justice. As the timing and the outcomes of elections are outside my control or ability to predict, I had no reason from this perspective to accelerate the timing of the reporting process.

While you refer to previous correspondence with me in your response, what you do not mention is that the timing of the audit and the report has been seriously affected by delays we experienced in obtaining access to information held by your department, and also by the delays in obtaining responses from yourself and your Director-General to my several requests for clarification on key matters.

I remind you that I first wrote to you and to your Director-General on 15 October 2014 raising a number of issues and requesting a response by 29 October. I also remind you that you and your Director-General both requested an extension on time to respond, and you both responded on 20 November 2014. This delay of three weeks at your request affected the timing of the report.

I wrote to you again on 4 December 2014, as we were in the process of preparing the draft report, seeking clarification of further issues. In your interim reply on 8 January 2015 you advised that you would provide a fuller response in early 2015. This fuller response was not provided.

You may not be aware that, because your Director-General did not provide a full response to my letter to him of 15 October 2014, my officers needed to make further requests for information from his department. During this period it also came to our attention that the contract with the sentenced youth boot camp provider had been varied, and we also uncovered other related payments, of which the department had not made us aware.

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Auditor-General response

In late January 2015 my officers also advised me that they had been told by departmental staff that the Director-General had requested his staff not to provide any further evidence to my Office. On 27 January 2015 I wrote to the Director-General requesting that he co-operate with my investigation and directing him to the relevant sections of my Act that can compel this. In response to my letter I finally obtained all the information from the department that I judged necessary to finalise my report on 6 February 2015.

As it goes to the issue of natural justice, as the Attorney-General you already had, or should have had, knowledge of the material facts set out in the report. Also, through my earlier correspondence with you, you were aware of the audit concerns that have been included in the final report. As it goes to your role, the substantive issue raised in the report is the lack of evidence to document your own decision-making processes. As you have not addressed this matter in your response, I take this as your confirmation that no such evidence exists.

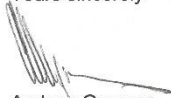
Your response also notes preliminary results of the boot camps. My report did not consider the results to date because the camps have not operated for sufficient time to fully evaluate their effectiveness in achieving their policy objectives.

I also reiterate that the report makes no findings in relation to the performance of any of the current service providers, as this also was outside the scope of the audit.

I have included this letter and all of the above correspondence as an appendix to the report, in the interests of full disclosure and transparency.

Should you have any questions in relation to this request, please contact me or have your officers contact Karen Johnson, Assistant Auditor-General on 3149 6017.

Yours sincerely



Andrew Greaves
Auditor-General

Appendix B—Correspondence

Correspondence with Attorney-General and Minister for Justice

Your ref:
Our ref: 10785
Ms Karen Johnson 3149 6017



15 October 2014

The Honourable J Bleijie MP
Attorney-General and Minister for Justice
Level 18, State Law Building
50 Ann Street
BRISBANE QLD 4000

Dear Mr Bleijie

Youth Boot Camp Program – Audit of procurement processes

On 21 August 2013 you issued a statement announcing that the contract for the Early Intervention Youth Boot Camp (EIYBC) at Rockhampton had been awarded to the QPCYWA and that the contract for the EIYBC at Fraser Coast had been awarded to Hard Yakka (Oz Adventures). You announced also that a 'super' Sentenced Youth Boot Camp (SYBC) contract had been awarded to Beyond Billabong.

The contracts were awarded after an EOI process had been completed. The only provider appointed that was recommended to you by the various EOI panels was the QPCYWA.

The Director-General indicated in an email on 21 August 2013, now part of the public record, that in his view while the process was appropriate it resulted in 'flawed recommendations' and placed the department and the government in an 'invidious' position.

With the increasing reliance on the private sector to provide public services it can be anticipated that similar EOI and tender processes will be required in the future. It is therefore of concern to me that the public sector could invest significant staff time, effort and financial resources in undertaking a procurement process for a \$4.9 million program which achieves flawed outcomes. The unsuccessful tenderers involved in the process no doubt would share the same concerns about their own investment of time and resources.

To better understand what went wrong, I have prepared a summary of the key facts as we understand them to date. This is attached to this letter and will form the basis of a report that I will table in the Parliament which will focus on the lessons we can take from this, and make recommendations about how such flawed outcomes can be avoided in future. I would appreciate your advice on whether the summary has any errors of fact or material omissions.

I have also provided a copy of this summary to the Director-General and I am seeking his responses to a series of questions that derive from our analysis of the facts.

As you have publicly articulated your rationales for the selection of both Hard Yakka and Beyond Billabong I would also appreciate your advice as to the evidence you used, documentary or otherwise, to arrive at your judgements and also advice on the specific processes you adopted when assessing potential providers for their suitability and cost-effectiveness.

I ask for this because, in responding to an earlier request for information on 30 July 2014, Mr Sosso advised that DJAG was unable to provide me with any information that would support your decisions. Mr Sosso recommended that I seek this information directly from you.

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Correspondence with Attorney-General and Minister for Justice

In particular I am seeking documentary evidence to support your assessments and conclusions relating to the following:

- Beyond Billabong had experience in a residential setting with the specific target cohort of high risk young people (13 to 17 years) with complex behaviours
- Beyond Billabong could provide for the safety of participants and maintain discipline and good order for community safety
- Beyond Billabong had experienced and qualified staff suitably qualified to provide sentenced boot camp services
- Operation Hard Yakka had experienced staff who could provide the mentoring services that are listed as a key component of the EOI.

I note in the *Protocol for communication between ministerial staff members and public service employees* issued by the Premier through the Department of Premier and Cabinet in August 2012 the Premier has expressed an expectation that:

- a revitalised, professional public service will give frank and fearless advice to Ministers
- Ministers are to make decisions that are open and accountable, and function under a clear line of responsibility for their departments, in accordance with the Westminster system of departments reporting to a single Minister.

In supporting these principles the Protocol stipulates that:

- decisions and actions are to be documented in sufficient detail to ensure that the processes involved are accountable and transparent
- formal recordkeeping is particularly important when a Minister makes a final decision that is contrary to, or overrides, departmental advice.

I also draw your attention to the following statements:

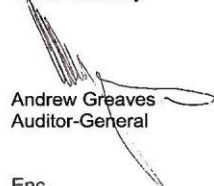
- In Hansard on 17 October 2013 you announced the awarding of the "Super Boot Camp" to Beyond Billabong and stated that "this process involved an EOI across the state".
- In a ministerial statement dated 20 May 2014 you stated the DJAG evaluation team "failed to appreciate that the amount tendered by Beyond Billabong was to run both the Cairns and Townsville Boot Camps". Further in Hansard on 20 May 2014 you stated "the amount tendered by Beyond Billabong was to deliver their programme to more than the number of offenders which was initially required by the brief".

Mr Sosso has advised that DJAG does not have an EOI that refers to super boot camp delivery requirements nor do they have a tender from Beyond Billabong to run both the Cairns and Townsville Boot Camps. Accordingly, I would also request that you provide any additional information or documentation in your possession that supports the above statements.

I would appreciate receiving a response to this letter together with the requested documentation, or confirmation that documentation does not exist, by 29 October 2014.

Should you have any questions in relation to this request, please contact me or have your officers contact Karen Johnson, Assistant Auditor-General on 3149 6017.

Yours sincerely



Andrew Greaves
Auditor-General

Enc.

Correspondence with Attorney-General and Minister for Justice



The Hon Jarrod Bleijie MP
Attorney-General and Minister for Justice



In reply please quote: 563502/1, 2702951

Your reference: 10785

29 OCT 2014

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Mr Andrew Greaves
Auditor General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves *Andrew,*

Thank you for your letter dated 15 October 2014 requesting additional information regarding the Youth Boot Camp Program – Audit of procurement processes.

A detailed response to your request is proceeding as a matter of urgency, however, I will be unable to meet your timeframe for a response by 29 October 2014.

To ensure the appropriate amount of time is allocated to respond to your request, I will respond by Friday, 21 November 2014.

If you have any further questions please contact Mr David Fraser, Chief of Staff, on (07) 3247 9068.

I trust this information is of assistance.

Yours sincerely



JARROD BLEIJIE MP
Attorney-General and Minister for Justice

Correspondence with Attorney-General and Minister for Justice



The Hon Jarrod Bleijie MP
Attorney-General and Minister for Justice



In reply please quote: 563502/1, 2735176

Your reference: 10785

20 November 2014

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29/11/14
Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

Thank you for your letter dated 15 October 2014 regarding the audit of the procurement process for the Youth Boot Camp Program within the Department of Justice and Attorney-General (DJAG). I apologise for the delay in responding.

At the outset, let me reiterate that it was entirely open and appropriate for me, as the responsible Minister, to independently assess the outcome of the tender process and to form an objective view of the best placed organisation to meet the obligations set out in the various Expressions of Interest (EOI). Further, the assessment was supported in Cabinet by my ministerial colleagues and the outcome of that process has realised reductions in offending, reengagement in education and improved relationships within families and local communities by young offenders.

I note that in determining the method to be used for identifying the most appropriate organisations at first instance, it was I who approved the use of an EOI process. In reaching this decision I took into account the previous Bligh Government's decision in March 2012 to directly fund a boot camp program through a million dollar grant, which was not subject to any open or transparent process to identify other suitable organisations.

Please find below my responses to the specific questions raised in your letter, which I appreciate will serve to clarify your office's summary of key facts on this matter. I am satisfied that any further information on inaccuracies relating to your office's summary of key facts can be appropriately responded to as part of a separate response being prepared by Mr John Sosso, Director-General, DJAG.

As previously stated, I disagreed with the weightings DJAG had applied to the selection criteria for the Youth Boot Camp Program EOI process. As a result of the Cairns Sentenced Youth Boot Camp incident, I determined that the youth boot camp service providers must have experience in delivering the camp phase of the boot camp program and that they were able to ensure that community safety was of priority consideration for the program. Furthermore, the successful providers needed to demonstrate value for money and be able to commence operations quickly.

Correspondence with Attorney-General and Minister for Justice

2

On receiving the recommendations from DJAG, my office requested copies of all the tenders that had been received. We went through each tender individually and discarded those that were unsuitable. For those tenders that remained, we reviewed each of them in detail against the evaluation reports prepared by DJAG as well as the criteria outlined above.

This analysis confirmed my views regarding the DJAG recommendations that, whilst the process undertaken by each team was rigorous, there was a fundamental failure to appreciate the importance of demonstrably experienced providers, particularly in light of the Cairns boot camp incident. I formed the view that the many of the recommendations were unlikely to fulfil this Government's policy agenda in relation to youth crime.

Both the Oz Adventures and Beyond Billabong tender submissions provided evidence regarding their ability to meet the criteria for the youth boot camp programs.

The Beyond Billabong submission outlined their:

- four years' experience running programs for Indigenous people aged 13 to 53, with a focus on 16 to 19 year olds;
- understanding of and experience working with the complex issues that many young offenders face such as substance misuse, abuse, mental health and physical health issues; and
- understanding of the processes and structures that needed to be in place to provide for the safety of participants and maintain discipline and good order for community safety including the need for 24/7 supervision, a high staff to young people ratio (1:2); daily debriefing meetings, critical incident reporting processes and proposals for working with different gendered young people.

The tender process did not require offerers to detail whether they had experienced and/or suitably qualified staff to provide the youth boot camp programs or any of the program phases. This is not normally specifically requested in funding processes.

However, both Oz Adventures and Beyond Billabong demonstrated extensive experience in running similar youth programs in their submissions and therefore I did accept that given this experience, both providers either had a pool of existing staff they could utilise for the youth boot camp program or had the understanding and structures in place to recruit the appropriate staff.

Furthermore, Oz Adventures articulated in their submission that they recognised that appropriately qualified staff would be a key component for the program and that the program would require ongoing meaningful, community follow up of participants. Oz Adventures also detailed in their submission that they had in-principle agreement by the Hervey Bay Youth Mentoring program to conduct the mentoring component of the program.

There was no EOI process that referred to the "super" boot camp to combine the Cairns and Townsville Sentenced Youth Boot Camp programs. However, Beyond Billabong did submit separate applications for both Cairns and Townsville and both stated that the budget was inclusive of both Townsville and Cairns to allow for economies of scale. Both submissions also stated they would be happy to work with the Government on a combined sentenced youth boot camp program.

Correspondence with Attorney-General and Minister for Justice

3

Therefore, I am of the firm view that the department did receive a tender to run both the Cairns and Townsville Sentenced Youth Boot Camps and I agreed that this would provide a value for money outcome for the Queensland Government.

I trust this information is of assistance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jarrod Bleijie', with several loops and a long horizontal stroke extending to the right.

JARROD BLEIJIE MP
Attorney-General and Minister for Justice

Correspondence with Attorney-General and Minister for Justice



Your ref:
Our ref: 10785
Ms Karen Johnson 3149 6017

4 December 2014

The Honourable J Bleijie MP
Attorney-General and Minister for Justice
Level 18, State Law Building
50 Ann Street
BRISBANE QLD 4000

Dear Mr Bleijie

Youth Boot Camp Program – Audit of procurement processes

Thank you for your letter of 20 November 2014 outlining the further processes undertaken leading to your decision to award contracts to Oz Adventures and Beyond Billabong to operate the Fraser Coast Early Intervention Boot Camp and the Sentenced Youth Boot Camp (Super Boot Camp) respectively.

I concur that it is entirely open to you to, and appropriate in the context of this program, to independently assess the outcome of the tender process.

I note your advice that in your view the over-riding criteria you adopted to select the service providers were that they:

- must have experience in delivering the camp phase of the program
- were able to ensure that community safety was of priority consideration
- needed to demonstrate value for money
- needed to be able to commence operations quickly.

In your letter you indicate that you and your staff went through each tender and the evaluation reports and undertook a review of those considered suitable against your over-riding criteria. I would appreciate your advice as to whether this process was documented and if so, request that this documentation be made available to my auditors.

I note your confirmation that there was no EOI process undertaken that referred to the "Super" boot camp to combine the Cairns and Townsville Sentenced Youth Boot Camp programs; but that in your view, in as much as it relates specifically to the two Beyond Billabong tenders, these two tenders both constituted a tender to run both boot camps.

I further note your view that this would produce a value for money outcome. I would appreciate your advice, and access to any associated documentation if it exists, on how the judgement about *value for money* was arrived at. In this regard I understand the Department plans to invest over \$4 million in capital improvements to the facility at Lincoln Springs which is being sub-leased for two years, and that around \$3.8 million has been spent to date.

Should you have any questions in relation to this request, please contact me or have your officers contact Karen Johnson, Assistant Auditor-General on 3149 6017.

Yours sincerely

Andrew Greaves
Auditor-General

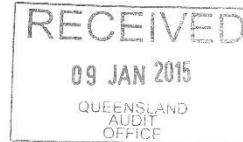
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Correspondence with Attorney-General and Minister for Justice



The Hon Jarrod Bleijie MP
Attorney-General and Minister for Justice



In reply please quote: 564648/1, 2760440

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8 JAN 2015

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves *Andrew,*

Thank you for your letter dated 4 December 2014 regarding the audit of the procurement process for Youth Boot Camps.

I will provide you a response in early 2015 regarding how my decision provided value for money for the Queensland public.

In closing, I continue to be of the view that my actions and decisions in this matter were in the best interests of Government and have resulted in the best and most experienced providers being contracted to deliver this innovative and challenging program.

I trust this information is of assistance.

Yours sincerely

Jarrod Bleijie
JARROD BLEIJIE MP
Attorney-General and Minister for Justice

Correspondence with Director-General, Department of Justice and Attorney-General



Your ref: 54572/1; 2607247
Our ref: 10785
Ms Karen Johnson 3149 6017

15 October 2014

Mr J Sosso
Director-General
Department of Justice and Attorney-General
GPO Box 149
BRISBANE QLD 4001

Dear Mr Sosso

Youth Boot Camp Program – Audit of procurement processes

On 21 August 2013 the Attorney-General issued a statement announcing that the contract for the Early Intervention Youth Boot Camp (EIYBC) at Rockhampton had been awarded to the QPCYWA and that the contract for the EIYBC at Fraser Coast had been awarded to Hard Yakka (Oz Adventures). He announced also that a 'super' Sentenced Youth Boot Camp (SYBC) contract had been awarded to Beyond Billabong.

The contracts were awarded after an EOI process had been completed. The only provider appointed that was recommended to the Attorney-General by the various EOI panels was the QPCYWA.

You indicated in an email on 21 August 2013, now part of the public record, that in your view while you were satisfied the procurement process was appropriate it resulted in 'flawed recommendations' and placed the government and the department in an 'invidious' position.

With the increasing reliance on the private sector to provide public services it can be anticipated that similar EOI and tender processes will be required in the future. It is therefore of concern to me that the public sector could invest significant staff time, effort and financial resources in undertaking a procurement process for a \$4.9 million program which achieves flawed outcomes. The unsuccessful tenderers involved in the process no doubt would share the same concerns about their own investment of time and resources.

To better understand what went wrong, I have prepared a summary of the key facts as we understand them to date. This is attached to this letter and will form the basis of a report that I will table in the Parliament which will focus on the lessons we can take from this, and make recommendations about how such flawed outcomes can be avoided in future. I would appreciate your advice on whether the summary has any errors of fact or material omissions.

In preparing the summary of key facts I have undertaken an analysis of information provided by you and your department and relevant information on the public record. My analysis has identified a number of information gaps and has also highlighted some apparent anomalies and inconsistencies which I have summarised as a series of observations and questions in the appendix to this letter.

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Correspondence with Director-General, Department of Justice and Attorney-General

In addition to this information I also ask that you outline what changes have been implemented to the department's EOI and tendering processes and procedures to ensure optimal outcomes occur in the future.

I would appreciate it if you could provide further information supported by documentation where possible for these matters by 29 October 2014.

Should you have any questions in relation to this request, please contact me or have your officers contact Karen Johnson, Assistant Auditor-General on 3149 6017.

Yours sincerely



Andrew Greaves
Auditor-General

Enc.

Correspondence with Director-General, Department of Justice and
Attorney-General



Department of Justice and Attorney-General
Office of the Director-General



In reply please quote: 544572/1, 2702996

Your reference: 10785

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24 OCT 2014

Mr Andrew Greaves
Auditor General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

Thank you for your letter dated 15 October 2014 requesting additional information regarding the Youth Boot Camp Program – Audit of procurement processes.

The Department of Justice and Attorney-General (DJAG) is currently working to fulfil your request, however, will be unable to meet your timeframe for a response by 29 October 2014.

As you can appreciate, a full and accurate considered response will take time. DJAG will endeavour to provide you with an appropriate response by Friday, 21 November 2014.

If you have any further questions please contact Mr Sean Harvey, Assistant Director-General, Youth Justice Services, DJAG, on (07) 3225 2035.

Yours sincerely

John Sosso
Director-General

Correspondence with Director-General, Department of Justice and Attorney-General



Department of Justice and Attorney-General
Office of the Director-General

In reply please quote: 544572/1, 2735161

Your reference: 10785

20 NOV 2014

Mr Andrew Greaves
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ABN 13 846 673 994

Dear Mr Greaves

Thank you for your letter dated 15 October 2014 regarding the audit of the procurement process for the Youth Boot Camp Program within the Department of Justice and Attorney-General (DJAG). I apologise for the delay in responding.

A response to your summary of facts as prepared by your office is included as **attachment 1**. Feedback on your summary of observations and questions is included as **attachment 2**.

I am satisfied with regard to prevailing circumstances including compressed timeframes, youth crime issues within Townsville, the public commitment for Government to deliver and expand the youth boot camp program, existence of legislative powers for courts to continue to sentence young people to boot camps and the closure of the first sentenced youth boot camp in Cairns, that the procurement of youth boot camp service providers was managed in line with the guidelines of the State Procurement Policy by DJAG.

In retrospect, there is always learning that can be taken to ensure a more efficient process in the future. DJAG is committed to undertaking work to ensure there is clear documentation of its identified procurement framework including related procedures and processes. This will allow for ongoing, consistent adherence to the Queensland Government procurement policy including a continued focus on effective management of procurement risks.

Yours sincerely

John Sosso
Director-General

Enc.

Correspondence with Director-General, Department of Justice and Attorney-General



Your ref:
Our ref: 10785
Mr Michael Hyman 3149 6063

27 January 2015

Mr J Sosso
Director-General
Department of Justice and Attorney-General
PO Box 149
BRISBANE QLD 4001

Dear Mr Sosso

Procurement of Youth Boot Camps

As you are aware, I have been examining procurement processes related to the state government's expanded boot camp trial, as a part of my annual audit of your department under section 30 of the *Auditor-General Act 2009* (the Act). To the extent that the investigation is considering also matters of economy, efficiency and effectiveness it is also being carried out subject to section 37A of the Act.

While a considerable amount of documentation has been provided in connection with this examination, I understand that recent requests for additional information have not yet been actioned. I draw your attention to section 46 the Act, which requires that my authorised auditors must be given full and free access to all departmental documents.

Sections 47 and 48 provide further my ability, if required, to compel the provision of this information, including obtaining testimony under oath.

While the way in which I carry out an audit is solely a matter for my discretion, as is the scope of any audit, for the sake of clarity the scope of this investigation includes:

- the department's evaluation of expressions of interest to operate boot camps and the subsequent issue of contracts to service providers
- the contracts and leases associated with the set up and operation of the sentenced youth boot camp facility at Lincoln Springs.
- any payments made in relation to the set up and operation of all boot camps from their respective commencement dates.

Ms Nicole Downing, Director Youth Justice Policy, Performance, Programs and Practice has been performing the role of contact officer. I understand that she will be taking leave from 13 February 2015, and it would be appreciated if you could provide the name and contact details of an alternative contact officer prior to this date.

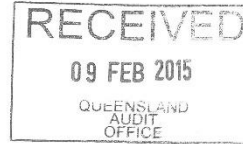
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Correspondence with Director-General, Department of Justice and
Attorney-General



Department of Justice and Attorney-General
Office of the Director-General



In reply please quote: 544542/1, 2788875

Your reference: 10785

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6 FEB 2015

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

Thank you for your letter dated 27 January 2015 clarifying the scope of the audit of the youth boot camp program.

I am pleased to advise that all requested information has been provided electronically. Please find enclosed a summary of this information and a disc containing the documents.

Please also note that I have requested Youth Justice provide further information that may be of additional assistance to you as part of the audit process. This includes the evaluation plan, interim outcome reports and all the relevant financial invoices relating to the youth boot camp program.

As you are aware, the contact officer for this matter, Ms Nicole Downing, will be on leave during February to March 2015.

Should you require further assistance, please contact Ms Toni Craig who will be the alternative contact officer during Ms Downing's leave. Ms Craig is contactable on (07) 3006 4127, or at: toni.craig@justice.qld.gov.au.

I trust this information is of assistance.

Yours sincerely

John Sosso
Director-General

Enc.

Auditor-General Reports to Parliament

Reports tabled in 2014–15

Number	Title	Date tabled in Legislative Assembly
1.	Results of audit: Internal control systems 2013–14	11 July 2014
2.	Hospital infrastructure projects	October 2014
3.	Emergency department performance reporting	October 2014
4.	Results of audit: State public sector entities for 2013–14	November 2014
5.	Results of audit: Hospital and Health Service entities 2013–14	November 2014
6.	Results of audit: Public non-financial corporations	November 2014
7.	Results of audit: Queensland state government financial statements 2013–14	December 2014
8.	Traveltrain renewal: Sunlander 14	December 2014
9.	2018 Commonwealth Games progress	December 2014
10.	Bushfire prevention and preparedness	December 2014
11.	Maintenance of public schools	March 2015
12.	Oversight of recurrent grants to non-state schools	March 2015
13.	Procurement of youth boot camps	April 2015