



FINANCIAL AUDIT REPORT

30 June 2023

Queensland Regional Accommodation Centre (Wellcamp)

Report 18: 2022–23

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Mr J Kelly
Acting Speaker of the Legislative Assembly
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BRISBANE QLD 4000

30 June 2023

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*.



Brendan Worrall
Auditor-General



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Report on a page

In September 2021, the Queensland Government entered into an agreement for a regional quarantine facility after a 9-month period of negotiation and assessment of current pandemic conditions. The Queensland Regional Accommodation Centre (QRAC), also known as Wellcamp, operated under a lease to the Queensland Government from 4 February 2022. It was moved to care and maintenance on 1 August 2022 and was returned to the owner on 29 April 2023 when the lease expired.

Procurement process undertaken was reasonable

We reviewed the decision-making process for entering into the agreements for the construction and operation of QRAC. We considered the information available at that time and acknowledge the difficult circumstances and uncertainty associated with a global pandemic.

The cost of the lease and the capital contribution toward construction of QRAC paid by the Queensland Government substantively represented the service provider's cost to construct the facility. The Queensland Government considered available information in its decision-making processes, including risk assessments, valuations, and options.

Future quarantine needs should have been fully considered

In August 2021, National Cabinet agreed to the *National Plan to transition Australia's National COVID-19 Response* (National Plan). The National Plan provided for relaxation of quarantine requirements and removal of travel restrictions under 4 phases aligned with outcomes from vaccination programs. At the time (September 2021) of entering the contract, Queensland was progressing toward the vaccination rate targets included in the National Plan and the near-term relaxation of quarantine requirements.

While there was still significant uncertainty on the continuing impact of the pandemic at this time, alternates such as home and hotel quarantine were available. This should have been more fully considered at the time of entering the contract in September 2021 to better ensure value for money for taxpayers. Shortly after QRAC was opened to guests (February 2022), the final phase of the National Plan commenced. This significantly reduced the need for quarantining, resulting in only 730 people being accommodated in the facility.

The total cost of QRAC was \$223 million

The cost of constructing and leasing QRAC was \$198.5 million, including an upfront capital payment of \$48.8 million. The Queensland Government also paid \$14 million for facilities management services and \$10 million for health services. The Queensland Government's request for financial support from the Australian Government, which was not given, was based on an expected cost of \$776 million over 3 years.

Disclosure of information could be improved

The *Queensland Procurement Policy 2021* did not require disclosure of the contract for construction and lease of the QRAC facility on the Queensland Government's open data website. We believe that despite the confidentiality provisions in the agreements, the Queensland Government should have considered disclosing the total value of the arrangement once the agreements were signed.

The contract agreements for QRAC provided for disclosure of the relevant information to parliament and committees of parliament. While information was disclosed during estimates hearings of parliament, it was not disclosed in answering other questions on notice from members of parliament or in response to general inquiries.

There needs to be clear guidance for the circumstances under which contractual information can, and should, be released. We have made 3 recommendations about disclosing information.



1. Recommendations

Recommendations for the Department of Energy and Public Works

1. We recommend the department expands the definition of reportable contracts in the *Procurement guidelines: Contract disclosure*, which support the *Queensland Procurement Policy 2023*, to include the purchase and lease of real property.
2. We recommend the department updates the *Use and disclosure of confidentiality provisions in government contracts* guidelines to provide advice on when information subject to confidentiality provisions can be released due to:
 - a point in time being reached where the information is no longer considered commercially sensitive, for example, after commercial negotiations and contracting are completed
 - disclosure being necessary to meet transparency and accountability requirements including disclosure as part of an entity's annual financial statements.

This update should also include the type of information that may be reasonable to disclose in these circumstances. This, at a minimum, should include the total value of the contract.

Recommendation for the Department of the Premier and Cabinet

3. We recommend the department develops guidance to assist ministers in answering questions in parliament on matters where relevant information is subject to confidentiality provisions. This should address:
 - the circumstances where information may be appropriate to disclose despite the existence of the confidentiality provisions
 - the type of information that may be appropriate to disclose
 - the nature of the request including questions from parliament or a parliamentary committee and questions on notice from members of parliament.

This guidance should be developed in consultation with other key stakeholders including the Office of the Speaker and the Clerk of the Parliament.

Reference to comments

In accordance with s. 64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at [Appendix A](#).



2. Context and background

In response to the COVID-19 global pandemic, the Queensland Government implemented a significant public health and emergency response. A public health emergency was declared by the Minister for Health and Minister for Ambulance Services on 29 January 2020 and Queensland was operating in a disaster situation from 22 March 2020.

In March 2020, the *Public Health Act 2005* was amended to strengthen the powers of Queensland's Chief Health Officer (CHO). This included providing the CHO with the power to give directions to assist in containing, or responding to, the spread of COVID-19 in the community. Under this power, the CHO could issue public health directions:

- restricting the movement of persons
- requiring persons to stay at or in a stated place
- requiring persons not to enter or stay at or in a particular place
- restricting contact between persons
- anything else the CHO considered necessary to protect public health.

Responses by both the Queensland and Australian governments included domestic and international travel restrictions and quarantine measures. These responses were in place until October 2021 when the national vaccination program allowed relaxation; this was followed by the opening of international borders, progressively allowing inbound arrivals for all vaccinated persons without quarantine, from February to July 2022.

Queensland Government response

The Queensland Government response to the public health emergency included the mandating of necessary persons to quarantine in accommodation nominated by the Queensland Government. The definitions of necessary persons and the nominated accommodation changed over time in response to public health risk assessments. This aligned with the National Cabinet decision on 28 March 2020 for an Australian quarantine decision, that was developed on a state-by-state basis.

Each jurisdiction was responsible for managing its response, including decisions for quarantining at hotels, other designated facilities, or modified arrangements. From March 2020, the Queensland Government used up to 93 privately owned hotels to provide quarantine facilities.

The Queensland Premier stated on 14 January 2021 that alternates to hotel quarantine were being considered, such as mining camps or other accommodation based on the Commonwealth's Howard Springs facility in Darwin. The Premier subsequently announced that they had raised this matter at National Cabinet on 22 January 2021, referencing potential facilities at 2 locations (Gladstone and Toowoomba).

In January 2021, the Queensland Government received a proposal for a purpose-built quarantine facility near Toowoomba, and commenced negotiations for the delivery of a regional solution. The contract for the delivery of the Queensland Regional Accommodation Centre (QRAC), also known as Wellcamp, was signed in September 2021 and the first 500 beds (Stage 1) were leased by the Queensland Government from 4 February 2022.

A further 500 beds were provided under Stage 2 of the arrangement. These were commissioned on a care and maintenance basis and were ultimately not required. On 1 August 2022, the entire facility moved to care and maintenance, no longer taking guests. The lease expired on 29 April 2023.



Key reviews

Two key reviews of the quarantine system occurred during the period the Queensland Government considered alternate quarantine options:

- A review of national quarantine arrangements commissioned by National Cabinet, which resulted in 2 reports
 - *National Review of Hotel Quarantine* (first review) published on 23 October 2020
 - *National Review of Quarantine* (second review) published on 15 November 2021
- *Queensland Health and Queensland Police Service joint agency continuous improvement review of the COVID-19 infection of a hotel worker (Hotel Grand Chancellor)* published in February 2021.

The report on the *National Review of Hotel Quarantine* published in October 2020 stated that hotel quarantine was largely effective as a first line of defence against the importation of COVID-19. However, the report also acknowledged that the system had a high cost; required specialised skills; and impacted guests financially, emotionally, and physically. The report also stated that an effective first line of defence would need to be maintained, and included recommendations for:

- improving system performance and the experience for people in hotel quarantine
- National Cabinet considering options for new models of quarantine, including a risk assessment of the options and an analysis of traveller suitability
- the Australian Government considering a national quarantine facility.

The report includes the Howard Springs facility as an example of a national facility that provides reserve capacity for quarantine.

In January 2021, circumstances at a Brisbane government-run mandatory quarantine hotel venue led to a cluster of infections. An investigation into the circumstances was jointly undertaken by the Queensland Police Service and Queensland Health. The report highlighted the complexity of the quarantine arrangements, and that hotel quarantine would continue to be a risk, noting the inherently unpredictable environment.

The November 2021 report on the second national review of quarantine arrangements recommended that all governments should immediately commence stepping down quarantine requirements. It recommended they phase out the use of managed quarantine for interstate travellers and introduce home quarantine where feasible for low-risk, fully vaccinated Australians and residents returning from overseas. The report also stated that quarantine requirements should be proportionate to risk with home quarantine and quarantine-free options used as the usual practice.



3. Procurement process

This chapter reviews the decision-making processes to enter the contracts that resulted in the construction and leasing of QRAC.

We reviewed the procurement process for compliance with the *Queensland Procurement Policy 2021*. We also compared the arrangements to the exclusive transactions assessment criteria issued by the Department of State Development, Infrastructure, Local Government and Planning. We did this because we considered this arrangement to be similar to transactions assessed under those criteria.

We acknowledge the circumstances and uncertainty associated with a global pandemic and have focused our review of the procurement processes on the information used to support decision-making and risk identification and management that was available at that time. The information included:

- correspondence with the QRAC counterparty
- correspondence with the Australian Government
- expert and specialist reports on the QRAC and alternative facilities
- key independent reviews performed on behalf of the Australian and Queensland governments
- the *National Plan to transition Australia's National COVID-19 Response* (National Plan), and progress toward target vaccination rates.

Value for money

The *Queensland Procurement Policy 2021* states that procurement should deliver value for money for taxpayers. Under this policy, value for money means more than just the lowest price. It also considers advancing the government's economic, environmental, and social objectives for the long-term wellbeing of the community.

Our review identified that the government assessed relevant, available information in its decision-making processes, including risk assessments, valuations, and alternative options. Information considered in assessing value for money included:

- capital costs – it performed an assessment, which supported the comparison of total cost to government with the capital cost of construction for the proposal
- alternate facility options – it considered the cost and benefits, and viability of alternate facilities. This noted that the Centre for National Resilience Brisbane (Pinkenba Damascus Barracks facility) had a lower cost to the Queensland Government but there were independently identified risks for delivery for the Australian Government and operation by the Queensland Government
- a risk assessment of QRAC compared to hotel quarantine – hotel quarantine was considered largely effective by the *National Review of Hotel Quarantine*, although there were limitations identified in the Queensland Government-led inquiry following the Hotel Grand Chancellor outbreak.

However, we believe other information should have been more fully considered at the time of entering the contract in September 2021. This includes:

- emerging events leading up to September 2021 – several events occurred around the time the Queensland Government entered the contract for QRAC, including the fact that Queensland was progressing towards double-vaccination targets and the agreed relaxation of quarantine requirements under the National Plan
- alternative uses of QRAC – while alternative uses were identified, they were not projected, supported by evidence, or quantified in the assessment.

Alternates such as hotel quarantine, which was found to be effective as a first line of defence, were also still available to support the Queensland Government's quarantine requirements during this time.

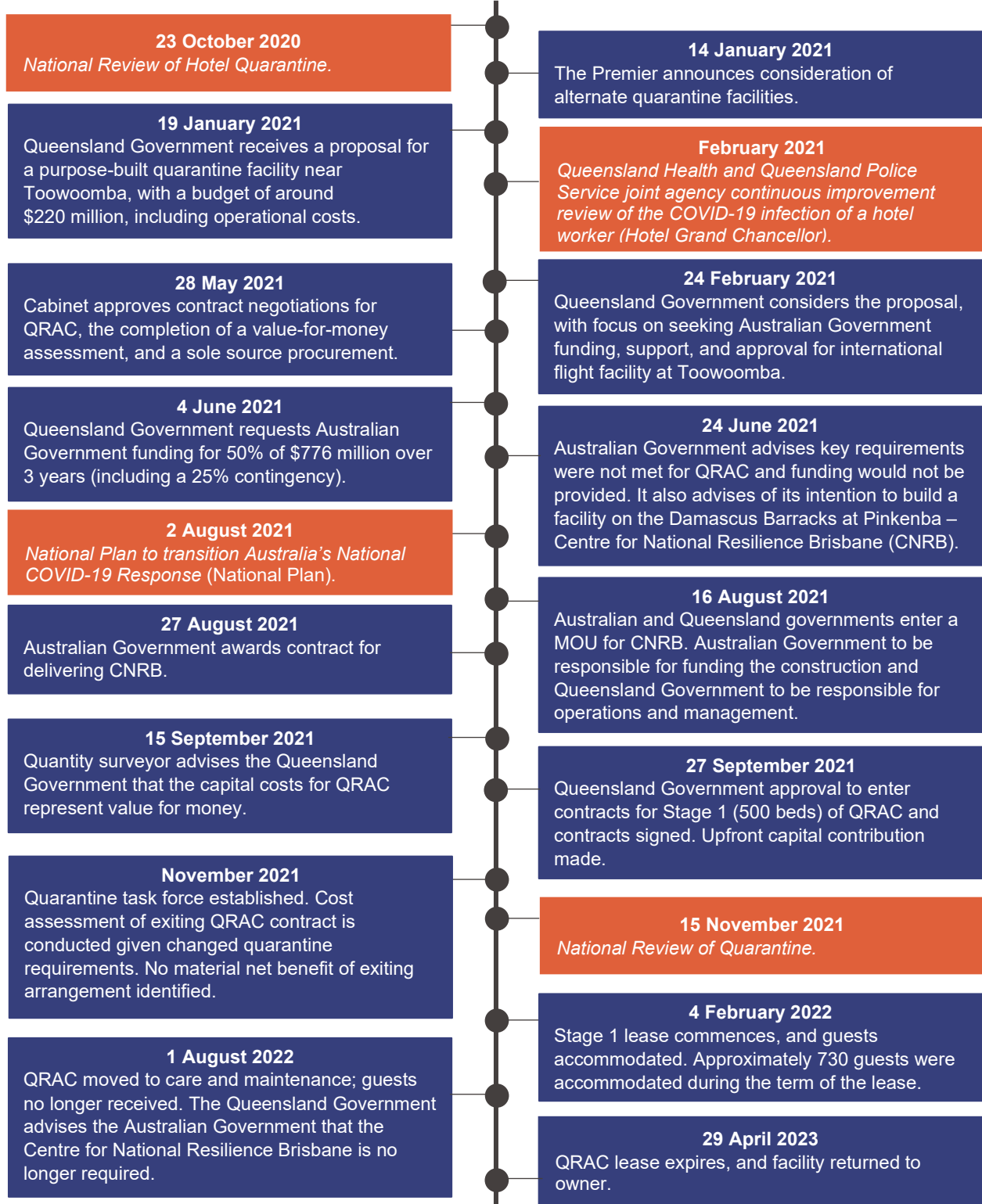
Less than 2 months after entering into the contract, the report on the second national review of quarantine arrangements in November 2021 recommended that states and territories commence stepping down quarantine requirements.



Procurement process

Figure 3A provides a timeline of key events during the procurement process. In this section we also chart how vaccination rates in Queensland tracked against targets in the National Plan.

Figure 3A
Timeline of key QRAC decisions and announcements



Note: MOU – memorandum of understanding.

Source: Compiled by Queensland Audit Office.



Vaccination rates

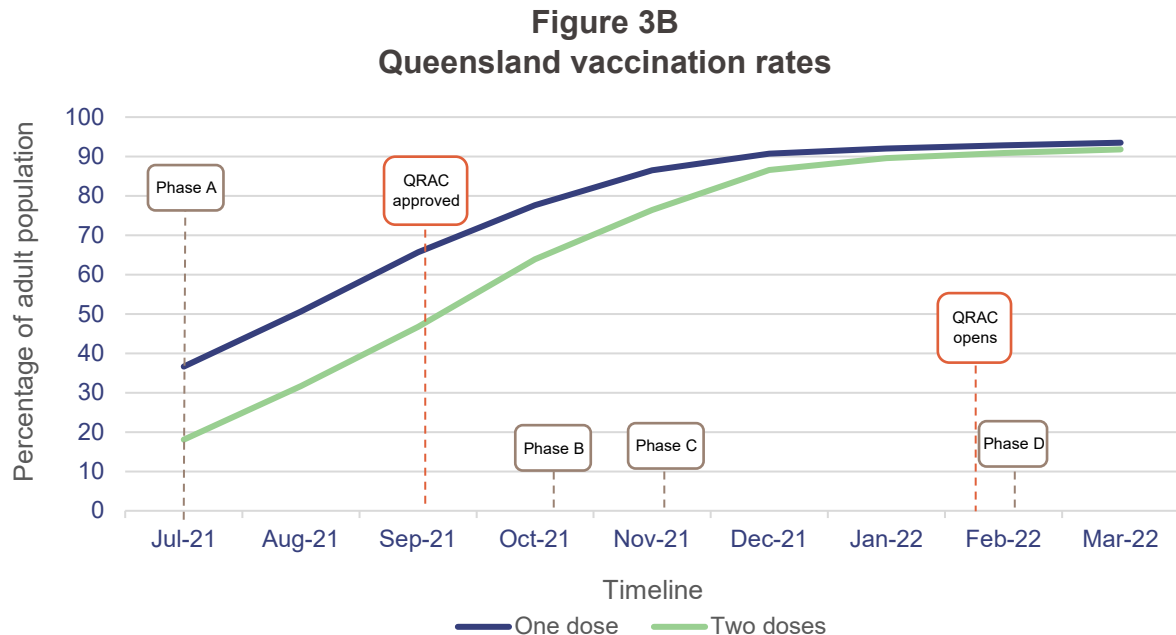
We also compared the decision timeline for entering the QRAC arrangement to the National Plan. While the plans for QRAC were being developed prior to the announcement of the National Plan, the objectives of the National Plan for progressing to a post-vaccination phase and the timing of each phase significantly impacted the need for quarantine facilities.

The National Plan was agreed by National Cabinet on 6 August 2021, while Queensland’s Cabinet Budget Review Committee approved the QRAC arrangement 7 weeks later on 24 September 2021. The National Plan had 4 phases aligned with outcomes from vaccination programs:

- Phase A represented the situation at the start of the plan and focused on strongly suppressing the virus and minimising community transmission. It included accelerating vaccination rates, closure of international borders, domestic travel restrictions, and a further review of hotel quarantine.
- Phase B commenced in October 2021, when 70 per cent of adults over 16 were fully vaccinated. This introduced new, reduced quarantine arrangements for vaccinated residents and restoration of some international travel.
- Phase C commenced in November 2021, when 80 per cent of adults over 16 were fully vaccinated. This further reduced domestic restrictions and allowed for the return of outbound international travel for vaccinated Australians.
- Phase D (final phase) partially commenced in February 2022 and was fully in place by July 2022. This included opening international borders and allowing inbound arrivals, without quarantine, for all vaccinated persons.

Further detail on the National Plan phases is included in [Appendix C](#).

The vaccination rates for Queensland are considered in the context of the National Plan and key decisions for QRAC in Figure 3B.



Source: Queensland Audit Office and Australian Government Department of Health and Aged Care’s COVID-19 vaccination rollout updates.

The Queensland Government’s assessments for QRAC considered alternate uses for the facility, showing some consideration for the National Plan. The form of the QRAC arrangement, with leases for 12-month periods, allowed for agility for the Queensland Government to exit as the National Plan was implemented. However, implementation of Phase D of the National Plan significantly reduced the need for quarantining, resulting in only 730 people being accommodated in the facility.

Procurement process assessment

The QRAC was procured using a sole sourcing strategy. This was based on time constraints and the facility’s unique requirements.

Sole sourcing is an option available to government through the *Queensland Procurement Policy 2021* and the *Investment Facilitation process for exclusive transactions (Guidelines – July 2022)* published by Department of State Development, Infrastructure, Local Government and Planning.

The government received advice supporting the use of this option under the Queensland procurement policy; approval processes were appropriate for a sole sourcing arrangement under the policy.

We did not identify any issues with the budget and expenditure approvals.

Process undertaken to procure

While the procurement occurred under a sole supplier arrangement, we also considered that the transaction has the characteristics of an exclusive transaction. This is a process that provides investors with the opportunity to negotiate a commercial proposal directly with the government, while excluding competition. These proposals must deliver an outcome that aligns with Queensland Government priorities and demonstrate a strong potential of being delivered.

The Queensland Government’s *Investment Facilitation process for exclusive transactions (Guidelines – July 2022)* sets out the process and criteria for assessing proposals as possible exclusive transactions. We applied the principles of the exclusive transaction process to assess the sole supplier procurement process, even though the government was not required to apply it. We have used it to assess whether a reasonable process was undertaken.

Figure 3C outlines our assessment of how the QRAC proposal aligns with the 4 assessment criteria applied to exclusive transactions.

Figure 3C
Alignment to assessment criteria

Assessment criteria	Alignment
Investment alignment <ul style="list-style-type: none"> Must align with a Queensland Government objective. 	The investment aligned with health and regional growth objectives.
Exclusive dealing <ul style="list-style-type: none"> Public interest is best served by an exclusive transaction rather than a competitive process. 	The proposed outcome could be provided within a short time frame; at that point, the government identified value in progressing the proposal in the short term. Alternate facilities were considered prior to entering the sole source arrangement.
Value for money <ul style="list-style-type: none"> With an acceptable cost/risk allocation. 	A quantity surveyor, engaged by the government, assessed capital costs for QRAC. The government also compared lease costs to hotel quarantine, together with a risk assessment of hotel quarantine. Risks and issues associated with a purpose-built facility were considered with weight placed on other uses, such as international students and migrant workers. However, there were no projections provided for those uses.
Investment-ready <ul style="list-style-type: none"> Must be technically, legally, and commercially feasible; investor must demonstrate financial and technical capacity and capability. 	Demonstrated feasibility in terms of being suitable for purpose and could be delivered in the time required by the government.

Source: Queensland Audit Office and the *Investment Facilitation process for exclusive transactions (Guidelines – July 2022)*.



Alternates considered

The Queensland Government explored 2 other options, and both were not considered feasible. These were:

- Homeground Mining Camp, located at Calliope in the Gladstone region (420 kilometres from Brisbane International Airport), considered in August 2020 and January 2021
- Shoalwater Bay Defence Training Centre, located near Rockhampton (approximately 600 kilometres from Brisbane International Airport), considered in January and February 2021.

Issues relating to transport access, including aircraft size and freight, current usage of the facilities, and lack of support from the Australian and respective local governments, were key factors in assessing the feasibility of the options.

By comparison, QRAC is located 155 kilometres from Brisbane International Airport, approximately 2 hours by road transport.

Centre for National Resilience Brisbane

On 24 June 2021, the Australian Government advised the Queensland Government of its intention to progress a quarantine facility on the site of the Damascus Barracks at Pinkenba. We have not assessed the process adopted by the Australian Government and have reviewed this decision only from the context of the Queensland Government's QRAC decision.

The Australian Government entered a memorandum of understanding with the Queensland Government on 16 August 2021, stating that the site was expected to be completed by the first quarter of 2022. On 27 August 2021, the Australian Government awarded a contract to a private sector company for delivery of the project. The announcement and awarding of the Centre for National Resilience Brisbane (CNRB) project contract occurred prior to the commercial agreements for QRAC.

There were 2 reviews of the Pinkenba site and proposed CNRB. An independent consulting firm conducted the first review and provided it to both the Queensland and Australian governments prior to the memorandum of understanding. It highlighted risks associated with the site. The Australian Government, as the contracting party, owned the risks associated with the construction of CNRB.

The Queensland Government commissioned the second review, which was a high-level assessment of the comparative risks associated with the CNRB and QRAC sites.

The 2 reviews highlighted:

- that the risks of delivery and efficacy of QRAC were lower than CNRB
- CNRB would have a likely higher cost than QRAC, with those costs met by the Australian Government; QRAC was a significantly more expensive option for the state
- while the Australian Government held the delivery risk of CNRB, quarantine facilities would continue to be the responsibility of the state should CNRB not meet its time frames.

Based on these considerations, the Queensland Government progressed QRAC after CNRB was announced. In July 2022, the Queensland Government advised the Australian Government that CNRB was no longer required.

Defined as a quarantine facility from early negotiations

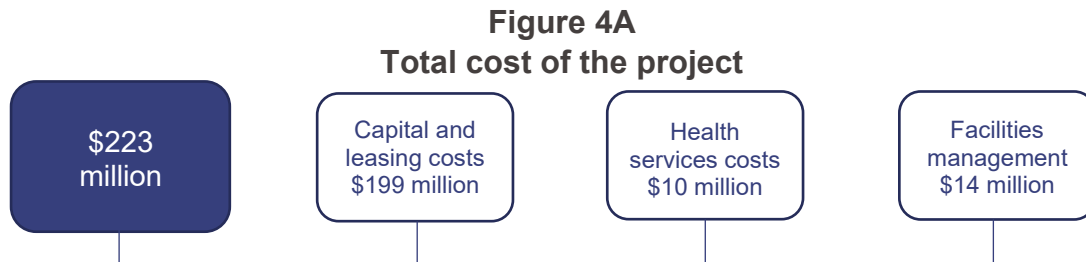
The Queensland Government developed a term sheet as part of its procurement process, setting out the basic terms, conditions, and requirements of the agreement. This term sheet defined the requirements of procurement and would help to minimise misunderstandings about the nature of the contract. This was developed prior to the Queensland Government approving a sole source procurement and any detailed contract negotiations with the supplier.

The term sheet identified specifications for the facility, including the number of rooms, security, and medical and general use facilities. In the term sheet, the facility's use was defined as a quarantine facility.



4. Cost of the project

The cost of the project is made up of the capital and leasing contribution, and the operational contracts. All the information is publicly available. Figure 4A identifies the total cost of QRAC arising from contracts with external parties.



Source: Compiled by Queensland Audit Office.

Capital and leasing costs incurred – \$198.5 million

The Department of State Development, Infrastructure, Local Government and Planning's audited financial statements for 2021–22 disclosed information on the costs of the QRAC arrangement.

Total payments to be made under the lease agreement were \$198.5 million, comprising \$175.3 million in capital payments and \$23.2 million in operating expenses. A total of \$143.7 million was paid up to 30 June 2022, including an upfront capital payment of \$48.8 million, representing the expected costs of variations the Queensland Government requested.

This payment was offset against the ongoing monthly lease payments, to be made under the lease. The lease was for a period of 15 months and ceased on 29 April 2023.

From our review, we did not identify any significant costs that were not disclosed in the financial statements.

Request for Australian Government financial support was for 3 years and included an expected cost of \$776 million

On 4 June 2021, the Australian Government issued key criteria for assessing proposals from state governments seeking financial support for purpose-built quarantine facilities, including:

- value for money
- providing net additional quarantine capacity
- working alongside hotel quarantine
- meeting health requirements, including those issued by the Australian Health Protection Principal Committee
- being available for use by all Australians
- located within 1 hour vehicle transport to an international airport
- located within 1 hour vehicle transport to a tertiary hospital
- owned by the Australian Government and run by the state.

On 4 June 2021, the Premier requested the Australian Government make a 50 per cent contribution to QRAC. The requested contribution was based on an expected 3-year cost of \$776 million, including a 25 per cent contingency. The actual cost to the Queensland Government under the lease arrangement was \$198.5 million for one year.

The request for support did not indicate the Queensland Government had options to exit the arrangement after minimum lease payments nor did it reflect the potential outcomes from a vaccination program that had commenced for frontline workers.

The Prime Minister advised the Queensland Government on 24 June 2021 that the key requirements of the assessment criteria were not met, and funding would not be provided. The 3 criteria not met were:

- proximity to a tertiary hospital
- proximity to an international airport
- Australian Government ownership.

The Prime Minister also advised the Queensland Government that the Australian Government intended to build a facility on the site of the Damascus Barracks at Pinkenba, known as the Centre for National Resilience Brisbane (CNRB).

Operational costs incurred – \$24.6 million

There are 2 key agreements relating to the operations of QRAC:

- Facilities management – awarded on 18 November 2021 to Compass Group (Australia) Pty Ltd, with an expected cost of \$34.1 million for 500 beds.
- Health services – awarded on 31 January 2022 to Aspen Medical Pty Ltd, with an initial estimated cost of \$40.7 million for 12 months.

Contract for facilities management

This contract was awarded through a direct procurement process where 4 potential suppliers were requested to make initial offers through an Invitation to Offer issued on 5 October 2021. Following an evaluation of offers received and negotiations with 2 shortlisted suppliers, the Cabinet Budget Review Committee approved Compass Group as the supplier on 18 November 2021.

On 26 November 2021, the Queensland Government entered a facilities management services agreement with Compass Group covering both the QRAC and CNRB facilities. Under the agreement, separate contract terms existed for these facilities.

For QRAC, Compass Group was engaged to perform hotel-type accommodation services management, catering, cleaning, portering, domestic laundry, and internal waste management. Under the agreement, Compass Group was paid a monthly services fee based on a direct cost-plus margin framework. The service provider was only entitled to the costs it directly incurred plus an agreed margin under this payment framework.

In accordance with the agreement, an annual budget of \$34.1 million was approved for Stage 1 of QRAC operations. As at March 2023, the Department of State Development, Infrastructure, Local Government and Planning had paid a total of \$13.9 million to Compass Group.

Contract for health services

This contract was awarded on a sole supplier basis. However, prior to negotiating the contract, several potential suppliers were considered. The government's documented decision was based on the supplier's experience in providing quarantine services and its capacity to deliver these services in the required time frame.



On 31 January 2022, the Queensland Government entered a health services agreement with Aspen Medical to provide services at QRAC and any other facilities as required. The agreement provided for separate contract terms for each facility. At the time of entering the agreement, contractual terms were only included for QRAC.

Under the agreement, Aspen Medical was paid a monthly services fee based on a direct cost-plus margin framework. The service provider was only entitled to the costs it directly incurred plus an agreed margin under this payment framework.

The agreement includes an initial cost plan identifying an estimated cost of \$40.7 million for the first 12 months. As at March 2023, Queensland Health had paid a total of \$9.7 million to Aspen Medical.



5. Use of confidentiality provisions

Parliament and members of the public should have access to government contract information unless there is a strong reason not to. This access should include information on significant contracts for the procurement of goods and services.

Contracts may sometimes include information that a supplier considers sensitive, for example, trade secrets or detailed internal costing information. In these circumstances, the supplier may request the inclusion of specific provisions for the government to keep this information confidential. Confidentiality provisions, however, should be used sparingly and balanced against the in-principle need for open and transparent government.

The Financial and Performance Management Standard 2019 requires all departments and statutory bodies to comply with the *Queensland Procurement Policy 2021*, which requires the publishing of details of contracts over \$10,000. This is supported by the *Procurement guidelines: Contract disclosure*, which provides detailed direction on the information to be published for reportable contracts.

A new *Queensland Procurement Policy 2023* took effect on 1 June 2023. The new policy did not change the contract disclosure requirements for Queensland government entities.

This chapter focuses on the use of confidentiality provisions in the agreements for the construction and leasing of QRAC and the subsequent release of information.

Use of confidentiality provisions for these agreements

There were 3 contractual arrangements for the construction and leasing of QRAC:

- commencement agreement
- agreement for lease
- lease.

Each agreement contained provisions requiring the parties to the agreements to keep certain information confidential, including the terms of the agreements. The confidentiality provisions, however, allowed the release of information by either party:

- with the consent of each other relevant party
- for use by professional or technical advisors
- if required by law.

The agreements also provide that the state may disclose information ‘in response to parliament or a request by the parliament of a committee of the parliament of the State of Queensland’.

Queensland Government guidelines suggest disclosing total contract value is allowed

Queensland and Australian government guidelines provide criteria for using confidentiality provisions in government contracts. The guidelines support the use of confidentiality provisions during negotiation phases where there is a risk that the release of proprietary information, design, and pricing structures would adversely affect the outcomes of current and future contract negotiations.



The Queensland Government's *Use and disclosure of confidentiality provisions in government contracts* guides the use of confidentiality provisions in government contracts. These guidelines identify that in government procurement, a request for confidentiality arises when information is given by the supplier to a government agency in circumstances where both parties understand the information is to be kept confidential.

It also states that confidentiality provisions should not be used as a matter of course and only included where there is strong justification for confidentiality. The guide contains 4 criteria for determining whether information should be kept confidential:

- Information is specifically identified
- Information is commercially sensitive
- Disclosure would cause unreasonable detriment
- Information was provided on the basis it would remain confidential.

It is noted that the government usually applies confidentiality to exclusive transactions processes, as outlined in the Department of State Development, Infrastructure, Local Government and Planning's document, *Investment Facilitation process for exclusive transactions*.

The Australian Government also provides guidance on the categories of information that may meet the requirements of a confidentiality test, including:

- internal costing
- proprietary information that, if disclosed, may affect future commercial arrangements
- pricing structures.

The Queensland Government considered that there was a strong justification for agreeing to keep the terms of the key agreements confidential. This is consistent with the policy and guidance framework.

However, we also note that the Queensland Government's guidelines include a case study involving the total contract value. It identifies that maintaining confidentiality over the total value of a contract would not be supported for the following reasons:

- Total price does not have the quality of confidentiality after a contract is signed.
- Disclosure of the total price would not damage the supplier's commercial interests.

This is because the disclosure of the total value does not provide sufficient detail to enable competitors in the market to determine the potential supplier's cost structures and profit margins – which may be considered commercially sensitive. It is also unlikely to place the supplier at a substantial commercial disadvantage in relation to other contractors or potential contractors, whether at present or in the future.

We acknowledge that each contract needs to be considered on its own merits. However, we believe the government should have considered disclosing the total value of the arrangement after the agreements were signed. At that time, it was less likely to result in exposure of commercially sensitive information.

Leases are not considered reportable contracts under the *Queensland Procurement Policy 2021*

The *Queensland Procurement Policy 2021* requires the publishing of awarded contracts over \$10,000 on the Queensland Government open data website. However, the procurement of real property, including leases, is excluded from the definition of reportable contracts in the *Procurement guidelines: Contract disclosure*, which support the *Queensland Procurement Policy 2021*. As the contracts entered were for the use of property over a period (a lease) they were not required to be disclosed under the policy.

This was different to the contracts for facilities management and health services, which were both required to be disclosed under the policy. We confirmed that both contracts were disclosed on the Queensland Government open data website, although the values disclosed were different to the estimated costs of the contracts.



Queensland Health reported the health services agreement with Aspen on open data as having a contract value of \$103.3 million. The initial cost plan estimated in the agreement was \$40.7 million for 12 months. The amount disclosed on open data represented the maximum value of the contract across 2021–22, with a possible extension to 2024.

The Department of State Development, Infrastructure, Local Government and Planning reported the facilities management agreement with Compass Group on open data as having an estimated contract value of \$6.8 million. This, however, was significantly less than the approved annual budget of \$34.1 million under the agreement.

The New South Wales *Government Information (Public Access) Act 2009* requires the disclosure of all contracts greater than \$150,000. This includes contracts for the transfer of real property and leases.

The NSW Act also defines commercial-in-confidence provisions as those that disclose:

- the contractor's financing arrangements
- the contractor's cost structure or profit margins
- the contractor's full base case financial model
- any intellectual property in which the contractor has an interest
- any matter the disclosure of which would place the contractor at a substantial commercial disadvantage in relation to other contractors or potential contractors, whether at present or in the future.

Recommendation for the Department of Energy and Public Works (REC 1)

We recommend the department expands the definition of reportable contracts in the *Procurement guidelines: Contract disclosure*, which support the *Queensland Procurement Policy 2023*, to include the purchase and lease of real property.

Information no longer considered confidential

By 4 February 2022, Stage 1 of QRAC (first 500 beds) was completed, and the first quarantine guests were able to be accommodated. At this point, Stage 2 (further 500 beds) was continuing and expected to be delivered in mid-2022.

We identified several occurrences where the Queensland Government considered the release of financial information on the construction and lease arrangement.

On 3 of those occasions financial information was publicly released. These occurred:

- where both parties agreed to the release of the information
- in response to a question from a parliamentary committee
- where disclosure was required for public accountability purposes.

However, we also identified occasions where information was not publicly released in response to questions on notice from Members of Parliament, or in response to general inquiries.

Until 17 February 2022, no financial information relating to the agreements was provided to parliament or the public. At that time, the Minister for Health and Ambulance Services announced the Queensland Government's capital contribution of \$48.8 million in a press interview. This was released with agreement of both parties as allowed under the terms of the agreements. No further cost information was provided on the basis it was commercial in confidence.

On 10 May 2022, a member of parliament requested that the Premier advise the government's total amount contributed to the facility (Question on Notice number 369). Based on the confidentiality provisions in the contracts, the information was not provided.



On 24 June 2022, a member of parliament requested that the Deputy Premier advise the value of the variations made to the contractual arrangements for QRAC (Question on Notice number 722). In response, the Deputy Premier identified the \$48.8 million upfront capital contribution to cover the costs of the government's requested variations. This was based on the previous announcement made on 17 February 2022, agreed by both parties.

During June and July 2022, the Queensland Government determined that it could release the confidential information if it was:

- in response to a question from a parliamentary committee, including responses to questions as part of estimates hearings
- required for accountability purposes, for example, disclosure as part of the department's financial reporting obligations.

The parliamentary estimates hearing for the Department of State Development, Infrastructure, Local Government and Planning was held on 27 July 2022. The 2021–22 annual financial statements for this department were made publicly available on 23 September 2022 as part of its annual report. Together they provided full disclosure of the costs of QRAC incurred in the 2021–22 financial year.

Figure 5A provides a key timeline for the public release of financial information on the construction and lease arrangement for QRAC.

Figure 5A
Timeline of public release of financial information

Dates	Event	Basis provided
May 2021 to Sept 2021	Commercial contract negotiation – key terms and contract values agreed	No financial information was released on the basis that it was commercial in confidence – release of information at this stage could be detrimental.
Sept 2021 to Feb 2022	Sourcing of supplies and construction of QRAC Practical completion of Stage 1	
16 Feb 2022	Premier advised that: <ul style="list-style-type: none"> • the cost to build the facility is less than any other facility in Australia • if federal government releases its costings for the National Centre for Resilience Brisbane located at Pinkenba, then the Queensland Government will release its • the lease cost is commercial in confidence. Deputy Premier advised that: <ul style="list-style-type: none"> • \$227 million total cost was not correct 	
17 Feb 2022	Minister for Health and Ambulance Services disclosed an upfront capital contribution of \$48.8 million by the Queensland Government	Both parties agreed to release the amount of the capital contribution. No other information on the cost of the project was released based on commercial-in-confidence requirements.
10 May 2022	Question on Notice No.369 asked the Premier the total amount of taxpayer money contributed to this facility, the terms and conditions of the facility's operation as a dedicated quarantine centre, and the length of time the facility has to remain as a dedicated centre	Response provided on 13 June 2022, stating that the government had obligations to keep certain information confidential. The length of the lease was disclosed as 12 months from practical completion with the option of a further 12 months if required.

Dates	Event	Basis provided
24 June 2022	Question on Notice No.722 asked the Deputy Premier the number of contract variations to the initial agreement, approval governance, and the value of the variations	Response provided on 24 June 2022 disclosed the number of variations, the approval process, and value of \$48.8 million (referencing disclosure on 17 February 2022).
27 July 2022	During the estimates hearing by the State Development and Regional Industries Committee, the Deputy Premier was asked about the total cost of the facility	Deputy Premier disclosed the value of the contracts to be \$198.5 million, which included a capital contribution of \$48.8 million, with the remainder representing leasing costs. In preparation for the estimates hearings, advice was provided to the Commissioner, Quarantine Management Taskforce on 8 June 2022, that the state would not breach its confidentiality obligations if it gave information in response to a request during an estimates hearing, and made relevant disclosures in the department's financial statements.

Source: Compiled by Queensland Audit Office using information from Queensland Parliament.

Status of previous Auditor-General's recommendations

In our 2017–18 audit on confidentiality and disclosure of government contracts, we examined the use of confidentiality provisions in Queensland Government contracts.

We made 4 recommendations, including that the Office of the Chief Advisor – Procurement (then part of the Department of Housing and Public Works) improves guidance and training available to all agencies on the use of confidentiality provisions and disclosure of contracts.

In our report *2021 status of Auditor-General's recommendations* (Report 4: 2021–22), the Department of Energy and Public Works advised it had fully implemented this recommendation as follows:

In May 2019, Department of Energy and Public Works (DEPW) published guidelines about procurement contract disclosure and the use and disclosure of confidentiality provisions in government contracts. DEPW's procurement training, which is available to all agencies, covers confidentiality and contract disclosure.

While we acknowledge the work done by the department in issuing the *Use and disclosure of confidentiality provisions in government contracts* guide, we believe that further opportunities exist to enhance the guidance currently available to both ministers and agencies.

Recommendation for the Department of Energy and Public Works (REC 2)

We recommend the department updates the *Use and disclosure of confidentiality provisions in government contracts* guidelines to provide advice on when information subject to confidentiality provisions can be released due to:

- a point in time being reached where the information is no longer considered commercially sensitive, for example, after commercial negotiations and contracting are completed
- disclosure being necessary to meet transparency and accountability requirements including disclosure as part of an entity's annual financial statements.

This update should also include the type of information that may be reasonable to disclose in these circumstances. This, at a minimum, should include the total value of the contract.

Recommendation for Department of the Premier and Cabinet (REC 3)

We recommend the department develops guidance to assist ministers in answering questions in parliament on matters where relevant information is subject to confidentiality provisions. This should address:

- the circumstances where information may be appropriate to disclose despite the existence of the confidentiality provisions
- the type of information that may be appropriate to disclose
- the nature of the request including questions from parliament or a parliamentary committee and questions on notice from members of parliament.

This guidance should be developed in consultation with other key stakeholders including the Office of the Speaker and the Clerk of the Parliament.



Appendices

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C.	National Plan to transition Australia’s National COVID-19 Response	29



A. Entity responses

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the:

- Premier and Minister for the Olympic and Paralympic Games
- Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympic and Paralympic Games Infrastructure
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement
- Director-General, Department of the Premier and Cabinet
- Director-General, Department of Energy and Public Works
- Director-General, Department of State Development, Infrastructure, Local Government and Planning.

We also provided a copy of the report with an invitation to respond to the:

- Minister for Health, Mental Health and Ambulance Services and Minister for Women
- Director-General, Queensland Health.

This appendix contains their detailed responses to our audit recommendations.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.



Comments received from Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement



Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Our Ref: MN06697-2023

26 JUN 2023

Mr Brendan Worrall
Auditor-General
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Dear Mr Worrall

Thank you for your email of 2 June 2023 seeking a formal response to the proposed report Queensland Regional Accommodation Centre (Wellcamp).

I acknowledge the report and thank you and your officers for your continued dedication to improving the standards of decision-making and transparency in government expenditure.

The Queensland Government is committed to transparency and ensuring public funds are spent in accordance with relevant legislation and policy. This includes ensuring government procurement processes reflect community expectations of ethical behaviour, integrity, probity and accountability.

The *Buy Queensland* approach to procurement is supported by a robust contract disclosure framework. In fact, Queensland's contract disclosure threshold of \$10,000 for reportable contracts is the lowest of all states and territories, and equal to the Australian Government. Further, the Department of Energy and Public Works (DEPW) has issued guidance regarding the Use and Disclosure of Confidentiality Provisions in Government Contracts, and confidentiality and commercial-in-confidence clauses will continue to be used only in cases where there is a strong justification.

The proposed report sets out two recommendations which fall within my portfolio. I understand Mr Paul Martyn, Director-General, DEPW has responded to you separately, and I endorse that response.

If you require any further information or assistance with this matter,

Yours sincerely

Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Comments received from Director-General, Department of State Development, Infrastructure, Local Government and Planning

Our ref: MC23/2937

20 June 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
qao@qao.qld.gov.au

Dear Auditor-General

Thank you for your email of 2 June 2023 to the Honourable Steven Miles MP, Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympic and Paralympic Infrastructure about the Proposed Report titled Queensland Regional Accommodation Centre (Wellcamp).

The Deputy Premier has asked me to respond on his behalf.

The COVID pandemic was without contemporary precedent and required governments to act decisively to protect the health and economic interests of their citizens. By those measures the Queensland Government's health and economic response was extraordinarily successful.

I appreciate your recognition of the level of uncertainty in the policy, operating and health environment that existed for decision-makers at that time.

I am also thankful for the considered approach your team has taken to working through a significant volume of records. I appreciate your finding that the procurement process and value for money assessment considerations of the Department and Government, including assessment of alternate options, were sound. It is pleasing to see the conclusion that, even under rapid-delivery circumstances, our inherent commitment to public value was maintained.

Your report makes a number of recommendations to improve disclosure of information to be led through the Department of Energy and Public Works and the Department of the Premier and Cabinet, to apply across the Queensland Government. The department supports application of these recommendations and in particular for current and future rapid response initiatives.

I wish to thank your team for their proactive engagement with my officers throughout.



Department of
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Local Government and Planning**

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ABN 29 230 178 530

If you require any further information, please contact [REDACTED]

[REDACTED]
[REDACTED]
who will be pleased to assist.

Yours sincerely



Mike Kaiser
Director-General



Comments received from Director-General, Department of Energy and Public Works

Our Ref: MN06634-2023

26 JUN 2023

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
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By email: qao@qao.qld.gov.au



Queensland
Government

Department of
Energy and Public Works

Dear Mr Worrall

Thank you for your email of 2 June 2023 providing the proposed report to Parliament on the Queensland Regional Accommodation Centre (also known as Wellcamp) and the opportunity to respond.

Following the Queensland Audit Office (QAO) report on the Confidentiality and disclosure of government contracts – Report 8: 2017–18, the Department of Energy and Public Works (DEPW) developed the Use and Disclosure of Confidentiality Provisions in Government Contracts guidelines, and enhancements were made to the Contract Disclosure Guidelines. Both of these documents provide advice for readers modelled on the 'pro disclosure' bias of the *Right to Information Act 2009*.

Together, ethical behaviour, integrity, probity and accountability comprise one of the six underpinning principles of the Queensland Procurement Policy 2023. Your proposed recommendations align with this and serve to enhance transparency of public expenditure. I support the intent of the recommendations and have put forward a suggested approach for your consideration regarding Recommendation 1, to ensure clarity.

In relation to Recommendation 2, I reiterate the position expressed in the Use and Disclosure of Confidentiality Provisions in Government Contracts guidelines, that confidentiality and commercial-in-confidence clauses should not be used as a matter of course and only included where there is strong justification for confidentiality. Equally, with respect to contract disclosure, agencies should be aware that while contract details may appear to be commercially sensitive, this does not necessarily mean that they should not be published, and agencies should seek advice if they are uncertain.

Consultation will occur with agencies to ensure the recommendations are adopted and implemented. Please find attached DEPW's response to the recommendations.

I hope this information answers your enquiry. If you need any more information or help with this matter,

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Martyn PSM'.

Paul Martyn PSM
Director-General

Encl.

1 William Street
Brisbane Queensland
GPO Box 2457 Brisbane
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Comments received from Director-General, Department of the Premier and Cabinet



For reply please quote: LJP/CW – TF/23/8057 – DOC/23/125636

Department of the
Premier and Cabinet

Mr Brendan Worrall
Auditor General
Queensland Audit Office
qao@qao.qld.gov.au

Dear Mr Worrall

Thank you for your email of 2 June 2023 providing a copy of the draft report, Queensland Regional Accommodation Centre (Wellcamp) (the report), for response.

I note that recommendation three of the report seeks that the Department of the Premier and Cabinet (DPC) develops guidance to assist ministers in answering questions in Parliament on matters where relevant information is subject to confidentiality provisions. The recommendation indicates this guidance should address the:

- circumstances where information may be appropriate to disclose, despite the existence of confidentiality provisions
- type of information that may be appropriate to disclose
- nature of the request, including questions from Parliament or a parliamentary committee and questions on notice from Members of Parliament.

I can advise that DPC does not accept the recommendation that DPC develop guidance for Ministers on these matters. The variable nature of contracts (which are the subject of questions) precludes any standardised approach to the responses provided. In any event, these matters are governed by the *Parliament of Queensland Act 2001*, with relevance of any answer at the discretion of the Speaker. The processes provided for in the Estimates Committee hearings also provide an opportunity for these matters to be examined in detail, with relevance of any answer at the discretion of the Chairperson of the Committee.

As requested, please find enclosed further detail on the response to the recommendation.

Again, thank you for writing to me and for the opportunity to respond to the report.

Yours sincerely

A handwritten signature in black ink that reads 'Rachel Hunter'.

Rachel Hunter
Director-General

26/6/23

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Responses to recommendations

Department of the Premier and Cabinet

Queensland Regional Accommodation Centre

Response to recommendations provided by the Department of the Premier and Cabinet (DPC) on 19 June 2023

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
<p>3. We recommend the department develops guidance to assist ministers in answering questions in Parliament on matters where relevant information is subject to confidentiality provisions. This should address:</p> <ul style="list-style-type: none"> the circumstances where information may be appropriate to disclose, despite the existence of the confidentiality provisions the type of information that may be appropriate to disclose the nature of the request, including questions from Parliament or a parliamentary committee and questions on notice from Members of Parliament. <p>This guidance should be developed in consultation with other key stakeholders, including the Office of the Speaker and the Clerk of the Parliament.</p>	Disagree	N/A	<p>DPC notes that the proceedings of the Queensland Parliament are governed by the <i>Parliament of Queensland Act 2001</i> (Qld), the Standing Rules and Orders of the Legislative Assembly and the Sessional Orders. This includes answers by Ministers in the Legislative Assembly, questions on notice and also questions posed during committee business.</p> <p>As such, the disclosure of information in response to questions, regardless of whether it is confidential and/or commercially sensitive, is governed by the <i>Parliament of Queensland Act 2001</i>, Standing Rules and Orders of the Legislative Assembly and the Sessional Orders, with relevance of the answer at the discretion of the Speaker. It should be noted that the Chairperson of the Estimates Committee assumes the same functions as the Speaker and would similarly determine the appropriateness of questions and answers during that session.</p> <p>DPC considers that the appropriateness of disclosing possible Commercial-in-Confidence or commercially sensitive information in the Legislative Assembly or in committee, should be determined on a case-by-case basis, given the variable nature of these matters. In addition, the disclosure should have</p>

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
			<p data-bbox="959 461 1166 790">regard to the particular circumstances of the matter, including the specific nature of the contractual arrangements, which precludes any standard guidance material being produced. The Estimates Committee hearing process in particular provides an opportunity for these matters to be considered in detail on a case-by- case basis, with the relevance of any answer being determined at the discretion of the Chair of the Committee.</p> <p data-bbox="959 819 1166 992">DPC notes that departments who entered the relevant contractual arrangement will be best placed to provide initial advice to their respective Minister on any such matter arising regarding the disclosure of information.</p> <p data-bbox="959 1021 1166 1155">This will allow tailored advice to be provided to the Minister who considered relevant aspects of the particular scenario, including any specific contractual or legislative arrangements.</p>



B. How we prepared this report

About this audit

The agreement for construction, lease, and operation of Queensland Regional Accommodation Centre (QRAC), also known as Wellcamp, was part of the Queensland Government's public health and emergency response to the COVID-19 global pandemic. The procurement of QRAC represented a significant transaction of the Queensland Government for which there was a high-level of public interest. We also received requests for audit on this project.

Given the level of public interest in this project, the Auditor-General determined it would be appropriate to publicly report a summary of key findings from our audit of this project.

Audit scope and methods

This audit was performed in accordance with the *Auditor-General Auditing Standards*, incorporating, where relevant, the standards issued by the Auditing and Assurance Standards Board.

Our audit of this project focused on the following areas. The:

- procurement processes used
- overall cost of the project
- use of confidentiality provisions.

In conducting the audit, we reviewed:

- information supporting the procurement process and key decisions made by the Queensland Government
- leases and other key agreements
- Queensland Government procurement policies and guidelines
- public statements made by the Premier and other ministers
- correspondence between the Queensland and Australian governments
- statements made in parliament as reported in Hansard
- information available on the Queensland Government open data portal
- other publicly available information.

Entities subject to the audit

In conducting this audit, we focused on transactions and contractual arrangements involving the following departments:

- Department of State Development, Infrastructure, Local Government and Planning
- Department of Health.

This included assessing information obtained in conducting our financial audits of the departments.

C. National Plan to transition Australia’s National COVID-19 Response

The *National Plan to transition Australia’s National COVID-19 Response* (the National Plan) was agreed at National Cabinet on 6 August 2021. This plan referenced a reduced need for quarantine as vaccination rates increased. At the date the National Plan was published, approximately 31.7 per cent of the Queensland population over 16 were fully vaccinated. The table below identifies the phases and possible measures under the National Plan.

Figure C1
National Plan to transition Australia’s National COVID-19 Response phases

Phase	Possible measures
<p>Phase A – Vaccinate, Prepare and Pilot</p> <p>Continue to suppress the virus for the purpose of minimising community transition.</p>	<p>Measures may include:</p> <ul style="list-style-type: none"> • Accelerate vaccination rates • Close international borders to keep COVID-19 out • Early, stringent and short lockdowns if outbreaks occur • Minimise cases in the community through effective test, trace and isolate capabilities • Inbound passenger caps temporarily reduced • Recognise and adopt the existing digital Medicare Vaccination Certificate
<p>Phase B – Vaccination Transition Phase</p> <p>Seek to minimise serious illness, hospitalisation and fatalities as a result of COVID-19 with low-level restrictions.</p> <p>(70 per cent of population over 16 are fully vaccinated)</p>	<p>Measures may include:</p> <ul style="list-style-type: none"> • Minimise cases in the community through ongoing low-level restrictions • Lockdowns less likely but possible • Ease restrictions on vaccinated residents (TBD) • Restore inbound passenger caps at previous levels for unvaccinated returning travellers and larger caps for vaccinated returning travellers • Introduce new reduced quarantine arrangements for vaccinated residents
<p>Phase C – Vaccination Consolidation Phase</p> <p>Seek to minimise serious illness, hospitalisation and fatalities as a result of COVID-19 with baseline restrictions.</p> <p>(80 per cent of population over 16 are fully vaccinated)</p>	<p>Measures may include:</p> <ul style="list-style-type: none"> • Highly targeted lockdowns only • Continue vaccine booster programme • Exempt vaccinated residents from all domestic restrictions • Abolish caps on returning vaccinated Australians • Lift all restrictions on outbound travel for vaccinated Australians



Phase	Possible measures
<p>Phase D – Post-Vaccination Phase</p> <p>Manage COVID-19 consistent with public health management of other infectious diseases.</p>	<p>Measures may include:</p> <ul style="list-style-type: none"> • Open international borders • Minimise cases in the community without ongoing restrictions or lockdowns • Boosters as necessary • Allow uncapped inbound arrivals for all vaccinated persons, without quarantine

Source: National Plan to transition Australia’s National COVID-19 Response.





qao.qld.gov.au/reports-resources/reports-parliament
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