

## Christopher Smith

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**From:** Christopher Smith  
**Sent:** Monday, 29 July 2019 2:14 PM  
**To:** [REDACTED]  
**Cc:** 'Libby Gregoric'  
**Subject:** Draft TOR  
**Attachments:** Scope of work 290719 - to EY.docx

Hi [REDACTED]

Thanks for your time earlier.

As discussed, please find attached the proposed terms of reference. If you are happy with this, we'll arrange a separate letter of engagement.

I am currently obtaining a list of companies (also as discussed) and will send through once available.

Many thanks  
Chris



Christopher Smith  
Director Internal Audit and Risk Services  
Department of the Premier and Cabinet

Ph: 07 3003 9166  
Level 28, 1 William St, Brisbane QLD 4000  
PO Box 15185, City East, QLD 4002



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## Terms of Reference

### Business Development Fund process review regarding Fortress Capstone Pty Ltd

#### Background

During the Premier's portfolio Estimates Hearing on 23 July 2019, the Premier committed that an audit would be undertaken to examine the process surrounding the awarding of Business Development Funding to Fortress Capstone Pty Ltd, a company associated with the Premier's Chief of Staff, Mr David Barbagallo AM.

On 25 July 2019, the Premier wrote to the Acting Director-General, Department of the Premier and Cabinet, requesting such an audit.

#### Scope of work

Ernst and Young (EY) will perform an independent review of the process, with focus on the following scope points:

- The decision-making process for investments made by the Business Development Fund in relation to Fortress Capstone Pty Ltd, including:
  - The approval process for the awarding of funds
  - The opportunity for disclosing conflicts of interest throughout the application and decision-making process
  - If appropriate, the management of conflicts of interest as declared.
- Compliance with the *Ministerial and Other Office Holder Staff Act 2010 (Act)* and Ministerial Handbook in relation to the declaration of interests and disclosure of conflicts of interest processes in relation to Fortress Capstone Pty Ltd.
- A chronology of events around the application and disclosure of interest process.

#### Timing

The work and report will be completed no later than 30 August 2019 and delivered to the Director-General, Department of the Premier and Cabinet.

## Christopher Smith

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**From:** [REDACTED]  
**Sent:** Monday, 29 July 2019 4:18 PM  
**To:** Christopher Smith  
**Cc:** Libby Gregoric  
**Subject:** RE: Draft TOR  
**Attachments:** Scope of work 290719 - to EY.docx

Hi Chris

Please see attached my comments on the Terms of Reference for your consideration. I suggest some small tweaks to the scope and also that we have some explicit scope limitations and also include a "scope period" for clarity – I've suggested up to 30 June 2019, although I understand the grant was awarded in 2017-18 (based on media). See what you think.

It will take a bit of time (24-48hrs) for our conflicts team to work through the list of companies through all the various systems, but I've got them on notice – if anything pops up from this, we'll advise immediately.

Kind Regards

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[REDACTED] Partner | Advisory



Ernst & Young  
111 Eagle Street, Brisbane, Queensland 4000, Australia  
Office: [REDACTED]  
Website: <http://www.ey.com>

[REDACTED]  
Employer of the Year 2018 at the Australian LGBTI Inclusion Awards

**From:** Christopher Smith <christopher.smith@premiers.qld.gov.au>  
**Sent:** Monday, July 29, 2019 2:14 PM  
**To:** [REDACTED]  
**Cc:** Libby Gregoric <libby.gregoric@premiers.qld.gov.au>  
**Subject:** Draft TOR

Hi [REDACTED]

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As discussed, please find attached the proposed terms of reference. If you are happy with this, we'll arrange a separate letter of engagement.

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## Terms of Reference

### Business Development Fund process review regarding Fortress Capstone Pty Ltd

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#### Scope of work

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- A chronology of events around the Business Development Fund application and disclosure of interest process.

#### Timing

The work and report will be completed no later than 30 August 2019 and delivered to the Director-General, Department of the Premier and Cabinet.

**Commented [1]:** You may consider expanding this to: The assessment and approval of funding award in line with documented processes, including (where applicable):  
-Receipt of funding application by the Business Development Fund  
-Assessment in line with criteria  
-Approval process for the awarding of funds

**Commented [2]:** Suggest explicit scope limitations (for discussion):

The review will not assess:  
- the validity of the investment decision made by the Business Development Fund, nor the quality or substance of the application by Fortress Capstone.  
-Any other applications or funds awarded by the Business Development Fund, other than that awarded to Fortress Capstone Pty Ltd.  
-The completeness of declarations of Interest made by the Premier's Chief of Staff. Our work will assess the disclosures related to Fortress Capstone Pty Ltd only.  
-Compliance with the Act or Ministerial Handbook generally.

Our work will be performed in line with EY standards of internal audit which comply with International Standards for the Professional Practice of Internal Audit. The work we perform will not constitute an audit or a review in accordance with generally accepted auditing standards and accordingly no assurance is expressed under these standards.

[this is a standard limitation for internal audit as it is not under accounting standards which have very specific definitions of audit and review from a financial assurance perspective. We'll need to include this in our report, but we often include in a scope agreement also.]

**Commented [3]:** It would be good to have a statement which "time bounds" the work.

E.g. The review will consider the period from Mr Barbagallo's appointment on 12 May 2017 to 30 June 2019.

## Filly Morgan

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**From:** Filly Morgan  
**Sent:** Monday, 29 July 2019 7:40 PM  
**To:** Christopher Smith  
**Subject:** Re: Letter of engagement - EY - Advance Queensland Business Development Fund

Thanks Chris

Sent from my iPhone

On 29 Jul 2019, at 6:42 pm, Christopher Smith <[christopher.smith@premiers.qld.gov.au](mailto:christopher.smith@premiers.qld.gov.au)> wrote:

Good Evening [REDACTED]

Please find attached the signed letter of engagement for the Advance Queensland Business Development Fund review.

We will review your suggestions regarding the Terms of Reference and be in touch to finalise tomorrow.

If you have any queries please do not hesitate to contact me.

Many thanks  
Chris

<image002.png>Christopher Smith  
Director Internal Audit and Risk Services  
Department of the Premier and Cabinet

Ph: 07 3003 9166  
Level 28, 1 William St, Brisbane QLD 4000  
PO Box 15185, City East, QLD 4002

<image003.jpg>

<SIGNED VERSION OF DOC 19 152980 - Message for [REDACTED].pdf>

## Christopher Smith

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**From:** Christopher Smith  
**Sent:** Monday, 29 July 2019 6:42 PM  
**To:** [REDACTED]  
**Cc:** 'Libby Gregoric'; 'Filly Morgan'; Simon Carl  
**Subject:** TRIM: Letter of engagement - EY - Advance Queensland Business Development Fund  
**Attachments:** SIGNED VERSION OF DOC 19 152980 - Message for [REDACTED].pdf

Good Evening [REDACTED]

Please find attached the signed letter of engagement for the Advance Queensland Business Development Fund review.

We will review your suggestions regarding the Terms of Reference and be in touch to finalise tomorrow.

If you have any queries please do not hesitate to contact me.

Many thanks  
Chris



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For reply please quote: IARS/CS – TF/19/7740

Department of the  
Premier and Cabinet

Ms [REDACTED]  
Ernst and Young  
111 Eagle Street  
BRISBANE QLD 4000

Dear [REDACTED]

I refer to your conversation last week with Christopher Smith, Director Internal Audit and Risk Services, Department of the Premier and Cabinet, and confirm my intention to engage Ernst and Young to conduct an audit of the process surrounding the awarding of Advance Queensland Business Development Funding to Fortress Capstone Pty Ltd.

All terms, conditions and rates are in accordance with the contract DPC-07-2019 under the Standing Offer Arrangement QGP0050-18.

Please contact Ms Filly Morgan, Deputy Director-General, Corporate and Government Services if you wish to further discuss any aspect of this audit on telephone number (07) 3003 9224 or [REDACTED]

I look forward to receiving the report as soon as possible, but no later than 30 August 2019.

Yours sincerely

Rachel Hunter  
Acting Director-General

29/7/19.

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