

30 November 2016

## **AUDITOR-GENERAL'S REPORT TO PARLIAMENT CBD and South East Light Rail Project**

Transport for NSW did not effectively plan and procure the CBD and South East Light Rail (CSELR) project to achieve best value for money according to a report released today by NSW Auditor-General, Margaret Crawford.

Transport for NSW is on track to deliver the project, but it will come at a higher cost with lower benefits than in the approved business case.

The project's business case summary was published in November 2013, estimating a cost of \$1.6 billion. However, the budget had increased by \$549 million to \$2.1 billion when Transport signed the main works public private partnership contract in December 2014. Some of this increase was due to scope changes and planning modifications, but the majority - \$517 million - was due to mispricing and omissions in the business case.

The established assurance framework provided that Transport for NSW undertake the assurance reviews of the project. However, this approach did not provide the independent assurance required for such a major infrastructure project. In addition, the planning and governance arrangements, while approved by the NSW Government, skipped important assurance steps. Tight timeframes meant planning was inadequate and normal governance systems were not initially in place.

Transport for NSW continues to manage problems created because of these shortcomings. Above all, it did not finalise key third party agreements that affected the design and scope of works before issuing tenders and signing the major public private partnership contract. This has increased the project's complexity and risks, and reduced value for money.

The Audit Office found that Transport for NSW's due diligence and probity in the procurement process was detailed and met NSW Government requirements.

Since the planning stages, Transport for NSW improved the project's governance and assurance framework. It implemented rigorous monthly assessments to monitor risks that may affect the timeframe and budget. There is also stronger external oversight by the CSELR project Advisory Board and Infrastructure NSW. Transport for NSW advised that it has progressively finalised third party agreements, with one outstanding in October 2016.

More generally, since the Auditor-General's reports on WestConnex and Large Construction Projects, the NSW Government has strengthened assurance processes for infrastructure projects. Infrastructure NSW now independently administers risk-based assurance reviews for capital projects, and advises the NSW Government of any risks so they can be addressed.

Transport for NSW should finalise design and scope issues as soon as possible and continue robust monitoring and reporting of the project. But our more important recommendations centre around the need to apply the lessons learned from this project to large capital projects in the future.

### **Further information**

A full copy of the report is on the Audit Office website.

Please contact Barry Underwood on 9275 7220 or 0403 073 664

Email: [barry.underwood@audit.nsw.gov.au](mailto:barry.underwood@audit.nsw.gov.au)