

7 May 2015

AUDITOR-GENERAL'S REPORT

Large Construction Projects – Independent Assurance

The independent assurance given to the NSW Government and sponsor agencies on the viability of large capital projects throughout their lifecycle is inadequate. Government policy is regularly not followed and not properly communicated to those responsible for implementing such policy.

This audit sought to test the effectiveness of the NSW capital project assurance system - which includes gateway reviews and reporting - but significant levels of non-compliance identified in our case studies prevented this. The NSW Commission of Audit also identified this issue in 2012. Gateway reviews are conducted by independent reviewers at key stages of a project's life cycle and provide an independent assessment on a project's readiness to proceed to the next stage.

The December 2014 WestConnex audit also found that the Government's independent assurance framework had not been complied with. The agencies argued that WestConnex warranted different arrangements due to its size, duration and complexity. This argument cannot be applied to the projects examined in this audit.

Low compliance with mandatory gateway requirements persists, with only 30 per cent of strategic reviews and 66 per cent of final business case reviews conducted on new construction projects included in the 2014-15 Budget.

A contributing factor to agencies not complying with policy is that NSW Treasury has not formally communicated the Government's decisions on agency responsibilities and independent assurance following the establishment of Infrastructure NSW in 2012.

Treasury needs to urgently communicate the Government's decisions on capital project assurance because there is confusion in agencies about requirements and responsibilities. Infrastructure NSW and Treasury should also publicly report on compliance with the Government's independent assurance and monitoring framework.

Following a review conducted by Infrastructure NSW, the Government in December 2014 agreed on an improved process for independent assurance over major capital projects costing \$100 million or more. The Government's new process has the potential to address current weaknesses.

However, if this new process, like the current one, is not communicated and implemented it will not have the desired impact.

Further information

For further information, please refer the report's Executive Summary or full report on the Audit Office website.

Alternatively, contact Barry Underwood, Executive Officer, on 9275 7220 or 0403 073 664; email: barry.underwood@audit.nsw.gov.au.