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# Appendix 3 – About the audit

## Audit objective

This audit assessed the effectiveness of TfNSW's design and management of metropolitan Sydney bus service contracts.

## Audit criteria

1. TfNSW is effectively managing the performance of contracts held by private bus companies to ensure contractual commitments are being met, with a focus on key performance indicators (KPIs) relating to:
  - a) customer satisfaction and complaint resolution
  - b) customer facing data and asset presentation
  - c) bus punctuality and cancellation
  - d) bus maintenance and ticketing.
2. TfNSW has designed an effective governance regime to underpin performance management of bus contracts in metropolitan Sydney and is demonstrating that contracts are being managed to deliver value for money.
  - a) TfNSW contract managers have access to, and are using, contract specific management procedures, which include managing KPI defaults in accordance with Schedule 4 of the contract.
  - b) TfNSW has in place, and uses, an effective program for validating performance data by operators, including a regular and comprehensive auditing program.
  - c) TfNSW has appropriate performance measures in contracts.
  - d) TfNSW complies with the contract governance and reporting regime as detailed in Schedule 5 of the contract.

## Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. TfNSW's contract managers have access to, and are using, contract specific management procedures, which include managing KPI defaults in accordance with Schedule 4 of the contract.
2. TfNSW has in place and uses an effective program for validating performance data by operators, including a regular and comprehensive auditing program.
3. TfNSW has appropriate performance measures in contracts.
4. TfNSW complies with the contract governance and reporting regime as detailed in Schedule 5 of the contract.

## Audit exclusions

The audit did not comment on the:

- design of bus routes and associated timetables
- rationale for contracted service levels
- tender process for awarding the contracts
- region 6 (Inner West) bus contract
- merits of government policy objectives.

## Audit approach

Our procedures included:

- interviewing:
  - key personnel from TfNSW associated with the design and management of the sample contracts
  - key personnel from the companies operating the sample contracts.
- examining:
  - documentation provided by TfNSW relating to the design and management of the sample contracts
  - relevant Cabinet information.
- analysing:
  - data relating to KPI performance and management after the commencement of the GSBCs
  - TfNSW internal procedure and policy documentation on bus contract management
  - documentation supporting compliance with Schedule 5 of contract.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

## Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

## Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by Transport for NSW and the bus operators. We would particularly like to thank our liaison officers and staff who participated in interviews and provided evidence for the audit.

## Audit cost

The estimated cost of this audit including disbursements is \$743,000.