
Appendix four – About the audit

Audit objective

This audit assessed whether TfNSW has effectively updated and consolidated information about project costs and benefits for the CBD and South East Light Rail (CSELR).

Audit criteria

We addressed the audit objective with the following audit criteria:

1. All project costs and benefits have been regularly, and accurately, updated during construction (nb includes costs associated with funding guarantee, additional legal and other consultancies).
2. The project costs against budget were regularly reported to the relevant governance bodies and INSW as required.
3. Project benefits have been updated to reflect changes in project scope, issues and additional benefits identified during construction and testing.
4. Changes to project finance arrangements were assessed and approved by appropriate governance and oversight bodies.
5. Up to date information on the project costs and benefits is publicly available.

This audit reviewed how effectively TfNSW updated and consolidated information about project costs and benefits for the CSELR. However, questions of economy, efficiency and compliance with the law were considered as they arose but were not the primary focus of this audit.

Audit scope and focus

This audit focused on:

- recommendations from the Auditor-General's 2016 report on the CSELR
- benefit cost ratio – which includes costs, budgets, benefits and traffic modelling
- traffic modelling and signalling at intersections (past, present and planned)
- project costs incurred and expected from February 2015 to give a reasonable estimation of full project costs.

Audit exclusions

The audit did not:

- examine unresolved compensation claims against TfNSW, including the class action
- examine other operational activities relating to project readiness
- question the merits of government policy objectives.

Audit approach

Our procedures included:

1. Interviewing TfNSW staff with understanding and involvement in processes relating to the update and reporting of consolidated information about project costs and benefits for the CSELR.
2. Consultation with other stakeholders including:
 - Chair of the TfNSW Audit and Risk Committee
 - Governance and oversight bodies associated with changes to project finance arrangements
 - Chair of the Sydney Light Rail Advisory Board
 - Infrastructure NSW
3. Examining documentation such as:
 - a) detailed working papers and documents relating to calculations of costs/benefits/traffic modelling
 - b) internal policy and procedures related to project costs, benefits and reporting
 - c) documentation related to financing arrangements for the project
 - d) regular project briefings and management reports used for project monitoring
 - e) reports, documentation, meeting papers and minutes relating to project governance and oversight requirements
 - f) internal or external reviews
 - g) information publicly available on project costs and benefits
4. Analysis data on:
 - a) total project costs and use of contingencies against budgets
 - b) total project benefits compared to the original business case
 - c) benefit cost ratio
 - d) compliance of project monitoring and reporting with governance and oversight requirements
 - e) implementation of the recommendations from the Auditor-General's 2016 report on the CSELR.

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 Audit 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 *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by Transport for NSW.

Audit cost

The total cost of the audit is approximately \$395,000.