

Report highlights

What the report is about

The Transport Asset Holding Entity (TAHE) is the State's custodian of rail assets. It is a state owned corporation and commenced operating on 1 July 2020.

This audit assessed the effectiveness of NSW Government agencies' design and implementation of TAHE. We audited TAHE, Transport for NSW (TfNSW) and NSW Treasury.

Separate and related audits on TAHE are reported in 'State Finances 2022', 'State Finances 2021' and 'Transport and Infrastructure 2022' report.

What we found

The design and implementation of TAHE, which spanned seven years, was not effective.

The process was not cohesive or transparent. It delivered an outcome that is unnecessarily complex in order to support an accounting treatment to meet the NSW Government's short-term Budget objectives,

while creating an obligation for future governments.

The benefits of TAHE were claimed in the 2015–16 NSW Budget before the enabling legislation was passed by Parliament in 2017. This committed the agencies to implement a solution that justified the 2015–16 Budget impacts, regardless of any challenges that arose.

Rail safety arrangements were a priority throughout TAHE's design and implementation, and risks were raised and addressed.

Agencies relied heavily on consultants on matters related to the creation of TAHE, but failed to effectively manage these engagements. Agencies failed to ensure that consultancies delivered independent advice as an input to decision-making. A small number of firms were used repeatedly to provide advice on the same topic. The final cost of TAHE-related consultancies was \$22.6 million compared to

the initial estimated cost of \$12.9 million.

What we recommended

We recommended that the audited agencies should:

- improve accountability and transparency for major new fiscal transformation initiatives
- ensure entities do not reflect the financial impact of significant initiatives in the Budget when there is uncertainty, or it creates perverse incentives
- review record keeping practices, systems and policies to ensure compliance with the *State Records Act 1998*, and the NSW Government Information Classification, Labelling and Handling Guidelines
- review procurement policies to ensure that consultant use complies with all NSW Government policy requirements.

Fast facts

\$1.8b

improvement in the 2015–16 GGS Budget because of Treasury's change in accounting treatment

\$10.9b

total claimed improvements to the GGS Budget between 2015–16 to 2021–22, as reported in our 'State Finances 2022' report and 'Transport and Infrastructure 2022' report

\$5.5b

extra government funds for rail operators used to pay TAHE (2023–26), in order to generate a sufficient level of return to preserve the short-term improvement to the Budget position derived from the treatment of government contributions as equity investments

2046

when TAHE is expected to achieve its forecast 2.5% return (including recovering previous revaluation losses) that supports NSW Treasury's accounting treatment