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# New South Wales Auditor-General's Report

## Performance Audit

### Large construction projects: Independent assurance

The Treasury

Infrastructure NSW

Transport for NSW

NSW Health

Roads and Maritime Services

Sydney Trains

Venues NSW

Department of Primary Industries

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Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Large construction projects - Independent assurance: The Treasury, Infrastructure NSW, Transport for NSW, NSW Health, Roads and Maritime Services, Sydney Trains, Venues NSW, Department of Primary Industries.**

A handwritten signature in black ink, appearing to read 'G Hehir'.

**Grant Hehir**  
Auditor-General  
7 May 2015

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# Executive summary

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## The audit

The NSW Government procurement policy framework incorporates a capital project assurance system. The system is designed to provide independent assurance to sponsor agencies and hence the government of the viability of a capital project throughout its life cycle.

The objective of this audit was, for a selection of large construction projects (costing over \$50 million) from a range of agencies, to assess the effectiveness of the procurement policy framework in providing independent assurance that projects address priority needs, the best options to address these needs are selected, and costs are controlled well and variations justified. The audit also sought to identify reasons for deviation from project budgets.

Our audit focused on the framework's key assurance elements:

- Gateway reviews by independent reviewers at key stages of the project life cycle against seven criteria: service delivery, affordability/value for money, sustainability, governance, risk management, stakeholder management and change management. Such reviews provide independent assessment of a project's readiness to proceed to the next stage.
- Sponsor agency reporting to, and monitoring by, Treasury for capital projects costing less than \$100 million and by Infrastructure NSW (INSW) for projects costing \$100 million or more.

We examined 17 projects from six agencies as case studies. The case study projects covered an extended period, with some still to commence construction and others completed as far back as 2009. The independent assurance system has evolved over time, and we compared performance to the requirements in place at the time. The government's capital project assurance system is in addition to agency internal assurance and governance processes, which this audit did not examine.

## Conclusion

Procedures for providing independent assurance to agencies and the government that large construction projects address priority service needs, best options to address these needs are selected, costs are controlled well and variations are justified have evolved, but are not as effective as they could be. Assurance needs to be more independent and compliance needs to be more consistent.

We sought to test the effectiveness of the NSW capital project assurance system on large construction projects, but significant levels of noncompliance in our case studies prevented this. Low compliance with Gateway requirements was also evident for new construction projects included in the 2014--15 Budget Papers. This issue was also identified by the NSW Commission of Audit in 2012.

Our recent WestConnex audit also found a lack of compliance with the Government's independent assurance framework. The agencies involved argued that WestConnex warranted different assurance arrangements designed to suit its size, duration and complexity. Such an argument cannot be applied to the projects examined in this current audit which were not of the size, duration and complexity of WestConnex.

In December 2014, following a review conducted by INSW, the government agreed on an improved process for independent assurance over major capital projects costing \$100 million or more. This has the potential to address our concerns for such projects.

There is a need, however, to also improve independent assurance over large capital projects costing less than \$100 million. The responsibility for compliance on individual projects lies primarily with sponsor agencies, but Treasury needs to ensure the system for projects below \$100 million is working effectively and providing adequate assurance.

## Supporting findings

Independent assurance requirements have been strengthened over time, particularly for capital projects costing \$100 million or more since the establishment of INSW in 2011.

The audit found low compliance with the independent assurance requirements in the case studies. Furthermore, only 30 per cent of the mandatory strategic Gateway reviews and 66 per cent of the mandatory final business case Gateway reviews occurred for the new construction projects costing \$10 million or more included in the 2014-15 Budget Papers. The Commission of Audit in 2012 also identified low compliance with Gateway requirements and the higher risk this created for the government.

There is some evidence that compliance has been improving recently for projects costing \$100 million or more since the establishment of INSW.

The Gateway review approach adopted in New South Wales is consistent with contemporary practices in comparable jurisdictions.

New South Wales, however, has a relatively low monetary threshold for mandatory Gateway reviews for preliminary and final business cases compared to other jurisdictions. There is scope for New South Wales to focus its Gateway efforts more towards high value, high risk projects.

In terms of Gateway reviews, in the case studies:

- no mandatory reviews were undertaken at the justification/option consideration stage
- mandatory final business case reviews were common, but not universal
- several final business case reviews were conducted after funding was approved
- mandatory post final business case reviews were generally not undertaken
- review quality improved over time, with recent reviews generally satisfactory.

In terms of monitoring and reporting, in the case studies:

- Gateway review reports were sometimes provided by sponsor agencies to INSW long after the review was undertaken
- requirements for reporting to Treasury and INSW, and monitoring by Treasury, from funding approval to project completion, were not always met. However, INSW has taken steps to improve agency reporting compliance.

The current assurance system has few incentives or sanctions to encourage effective compliance by sponsor agencies, except at the final business case stage, where compliance is linked to funding approval.

We are particularly concerned with the limited independent review of:

- project justification and option consideration
- post-business case project delivery.

The assurance system is supported by substantial documentation and advice. However the government's June 2012 and May 2013 decisions on responsibilities and requirements for Gateway reviews, following the establishment of INSW, have not yet been the subject of a Treasury circular. This has caused some confusion in agencies about Gateway and reporting requirements.

In the case study projects examined, scope change was the dominant reason for final cost exceeding original funding. Other reasons for cost increases included settlement of a major contract claim, shortages of critical human resources, changes in government priorities, changes in industry standards and financial failure of the contractor.

Existing mechanisms do not provide sufficient independent assurance that large capital project costs are controlled effectively and that scope changes and other variations are warranted and represent good value. For example, there is no requirement to undertake a Gateway review where there is a major scope variation.

Capital expenditure authorisation limits allow cluster coordinating ministers to add new, or amend approved projects outside the annual Budget process, provided they remain within their approved cluster authorisation limits. If they propose a new project over \$10 million, they have to submit a Gateway review and obtain the Treasurer's approval. However, ministers can authorise a scope change up to ten per cent without such requirements. The size of some projects means a ten per cent variation can be well above \$10 million. These two requirements do not represent a consistent approach to managing risk.

The current assurance system also provides limited visibility and assurance for the government regarding project progress, management and performance between contract award and project completion.

In December 2014, in order to strengthen whole of government investor oversight of capital projects costing \$100 million or more, the government decided to establish:

- an Investment Assurance Committee, chaired by INSW and comprising senior agency officers, to advise on the planning, procurement, governance and management of major infrastructure projects
- a robust, consistent, independent Investor Assurance Framework across government and across the infrastructure life cycle.

This should give the government improved visibility and assurance over these projects.

The December 2014 reforms, however, focus on capital projects costing \$100 million or more. Treasury advises that considerable changes are anticipated or being implemented for capital project assurance, including the Financial Management Transformation project and continual improvements to State budget management. Sufficient detail was not available to assess whether these changes were likely to address our concerns.

## Recommendations

### The Treasury should:

1. review the capital project assurance system for capital projects costing less than \$100 million, including the Gateway review process and its monetary thresholds, to introduce a greater focus on project risk, noting that cost is only one component of risk (by December 2015) (page 12)
2. enhance assurance processes surrounding major scope variations (by December 2015) (page 12)
3. issue documentation which clarifies the government's decisions on Gateway reviews for large capital project assurance (by July 2015) (page 27)
4. report publicly on compliance with Gateway review and other reporting and monitoring requirements for capital projects costing less than \$100 million (by December 2015) (page 27).

### Infrastructure NSW should:

5. report publicly on implementation of, and compliance with, the Investor Assurance Framework (by December 2015) (page 12).

### The Treasury and Infrastructure NSW should:

6. regularly monitor and evaluate the effectiveness of the government's large capital project external assurance arrangements (page 27).

# Key findings

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## 1. Introduction

The NSW Government procurement policy framework incorporates a capital project assurance system. Key elements include:

- Gateway reviews by independent reviewers at key stages of the project life cycle. Reviews assess projects against seven criteria: service delivery, affordability/value for money, sustainability, governance, risk management, stakeholder management and change management. Such reviews provide independent assessment of a project's readiness to proceed to the next stage.
- Monitoring of capital projects from their inception to completion by:
  - The Treasury for projects costing less than \$100 million
  - Infrastructure NSW for projects costing \$100 million or more.

The system is designed to provide a level of independent assurance to sponsor agencies and hence to the government on the viability of a project throughout its life cycle, and is in addition to agency internal assurance and governance processes.

The objective of this audit was, for a selection of large construction projects (costing over \$50 million) from a range of agencies, to assess the effectiveness of the procurement policy framework in providing independent assurance to the government that projects address priority needs, the best options to address these needs are selected, and costs are controlled well and variations justified. The audit also sought to identify reasons for deviation from project budgets.

We examined 17 large projects from six agencies as case studies. Nine were chosen because of cost increases or decreases greater than 20 per cent or \$20 million from when their funding was first approved.

### 1.1 Background

In the 2014–15 Budget, the NSW Government proposed to spend over \$10 billion in the 2014–15 financial year on infrastructure projects across the General Government sector. This is in addition to the Public Trading Enterprise sector where the government budgeted to spend almost \$5 billion. The annual investment on infrastructure in the General Government sector has increased by over \$4 billion since 2011–12.

Our research shows that the 88 construction projects estimated to cost over \$50 million listed in the State Budget (Budget Paper 4) over the period 2010–11 to 2013–14 experienced an overall cost growth of over three per cent after their funding was initially approved. Their estimate to complete grew by \$900 million in total, from \$27.97 billion to \$28.87 billion. Of the 50 such projects which have been completed, their cost grew by some \$720 million in total, from \$10.73 billion to \$11.45 billion, a 6.7 per cent increase. These understate the true level of cost increase because each of the project estimates in the Budget Papers already has a contingency allowance built in to cover unforeseeable occurrences. Our expectation is that contingency allowances should not be exhausted routinely.

The contingency issue was noted in the October 2014 Treasury circular, which introduced detailed procedures for establishing and managing contingency sums for infrastructure projects estimated to cost over \$100 million. These include the methodology for calculating contingency sums, controls and delegations to manage release of contingencies, monitoring and reporting the use of contingencies, and the need for the Treasurer to explicitly approve the amount and controls and delegations to manage contingencies.

A key factor which influences the successful development and delivery of major infrastructure projects is the implementation of a robust governance framework. For example, it is important to clearly delineate roles and responsibilities and have effective processes, procedures and policy guidelines for planning, selecting and delivering projects.

It is also important to have both effective internal and external assurance arrangements in place.

Internal assurance may involve regular and comprehensive reporting within the responsible agency on project health and progress throughout its life cycle, internally commissioned reviews on critical aspects of the project, and the establishment of multi-agency project steering committees using senior personnel to provide high level oversight and direction.

External assurance mechanisms generally involve the use of independent experts to conduct targeted reviews, as well as reporting to, and monitoring by, central agencies on behalf of the government. External, independent involvement addresses the inherent conflict between project delivery and assurance.

The use of external assurance mechanisms does not negate the sponsor agency's primary responsibility for project outcomes, but rather reflects the overarching accountability of the government of the day.

## 1.2 External assurance system for NSW capital projects

The NSW Government procurement policy framework incorporates a capital project assurance system which covers large construction projects primarily in the General Government sector.

The system is designed to provide a level of independent assurance to the agencies and hence to government on the viability of the project throughout its life cycle and to complement agency internal assurance mechanisms, not replace them.

The project assurance system under the NSW procurement policy framework, as it presently applies to large construction projects, includes the following elements.

For projects estimated to cost between \$10 million and \$100 million:

- Projects (generally identified in an agency's Total Asset Management (TAM) plan proposed for inclusion in the four year forward estimates and the State Infrastructure Plan (SIP), sponsor agencies must prepare a preliminary business case and initiate a mandatory strategic Gateway review, with business cases and Gateway review reports submitted to Treasury. Treasury (and INSW where appropriate) comments are then referred to the government for decision on inclusion in forward estimates and the SIP.
- Projects proposed for funding in the upcoming budget year and inclusion in the Budget Papers, sponsor agencies must prepare a final business case and initiate a mandatory Gateway review, with business cases and Gateway review reports submitted to Treasury. Treasury comments are then referred to the government for a funding decision.
- Business cases must be consistent with Treasury policy and guidelines.
- Treasury manages the NSW Gateway review system, which consists of Gateway reviews at seven stages of a project lifecycle (initiation/justification, strategic, final business case, pre-tender, tender evaluation, pre-commissioning, post-implementation), as well as development and maintenance of supporting material, such as workbooks. Treasury also registers, and provides training for, Gateway reviewers.
- Each review assesses the project against seven criteria which are constants throughout the project life cycle (service delivery, affordability and value for money, sustainability, governance, risk management, stakeholder management, and change management).
- Treasury facilitates Gateway reviews. This includes selection of review teams with the sponsor agency, and providing a review manager for each review.

- Strategic Gateway reviews and final business case Gateway reviews are mandatory. Gateway reviews at the other five gates are at sponsor agency discretion.
- Gateway 'health checks' can be initiated by sponsor agencies or requested by Treasury to provide a point-in-time insight into any areas of concern. This is a relatively new addition to the system.
- Prior to calling tenders, sponsor agencies must submit to Treasury procurement strategy and pre-tender estimate reports which reconfirm the final business case.
- Prior to contract award, sponsor agencies must submit to Treasury a post-tender review report reconfirming the final business case.
- After contract award, sponsor agencies must submit to Treasury material variations reports when there are major changes to project scope, cost and time.

For projects estimated to cost \$100 million or more, INSW has established the Major Projects Assurance Framework. Under the framework:

- INSW is responsible for conducting Gateway reviews, with Treasury managing and facilitating reviews for non-transport projects using the seven stage NSW Gateway system, and Transport for NSW managing and facilitating reviews for transport projects using its seven stage Investment Gating and Assurance Framework.
- Gateway health checks can be initiated by sponsor agencies or requested by INSW to provide a point-in-time insight into areas of concern outside of the regular Gateway stages.
- Gateway reviews are mandatory at all stages of the procurement cycle, with relevant stage documents and Gateway reports submitted to INSW by sponsor agencies.
- INSW (in conjunction with Treasury) provides advice to the government regarding inclusion of projects in the forward estimates and the SIP or for funding decisions.
- Project sponsor agencies must provide regular (every two months) reports on project status both before and after funding approval to INSW using a standard template.
- INSW provides regular (every two months) reports to the government on project status, and advice on possible government intervention.

In addition to facilitating Gateway reviews, Treasury publishes a comprehensive toolkit, available through its Procurepoint website. The toolkit describes in detail the Gateway process and includes checklists and advice for project sponsors, Gateway reviewers and interviewees. The website also contains workbooks for the seven Gateway stages, as well as for Gateway health checks for use by Gateway reviewers. The workbooks provide a framework to conduct reviews at each of the stages and indicators to assist reviewers to cover each of the seven criteria to be addressed for each gate.

Transport for NSW, in addition to facilitating Gateway reviews for transport related projects, also provides guidance material for its Investment Gating and Assurance Framework. This includes workbooks similar to those published by Treasury for each of the Gateway stages.

The capital project assurance system was initially implemented as part of reforms to the government procurement policy framework in July 2004. It was issued under a Treasurer's Direction pursuant to the *Public Finance and Audit Act 1983* and has expanded and strengthened. The policy was initially issued through a Treasury circular, as were subsequent updates. A chronology of the various policies, procedures and guidelines which made up the assurance system as it evolved is at **Appendix 3**.

### 1.3 The audit

The objective of this audit was, for a selection of large construction projects (costing over \$50 million) from a range of agencies, to assess the effectiveness of the procurement policy framework in providing independent assurance to the government that projects address priority needs, the best options to address these needs are selected, and costs are controlled well and variations justified. The audit also sought to identify reasons for deviation from project budgets.

The audit focused on two key elements of the procurement policy framework. These were Gateway reviews, and reporting to, and monitoring by, Treasury and INSW. See **Appendix 7** for more information on the audit scope and focus.

We examined 17 projects from six sponsor agencies, nine of which were chosen because of budget increases or decreases greater than 20 per cent or \$20 million from the time they were first approved for funding. The sponsor agencies were Roads and Maritime Services (RMS), NSW Health (Health), Transport Infrastructure Development Corporation, (TIDC), now Transport for NSW, RailCorp, now Sydney Trains, Department of Primary Industries (DPI) and Venues NSW. See **Appendix 2** for a full list of case study projects and their sponsor agencies.

The 17 projects are case studies, and do not constitute a statistical sample. They were not selected randomly. We recognised this limitation in drawing our audit conclusions.

## 2. Design of the NSW capital project assurance system

We expected the NSW capital project assurance system for large construction projects to be similar to or better than contemporary practices elsewhere.

We found the design of the current NSW external assurance system is broadly consistent with contemporary practices adopted in comparable Australian jurisdictions and New Zealand.

New South Wales, however, has adopted a relatively low monetary threshold for mandatory Gateway reviews for preliminary and final business cases compared to other jurisdictions. There is scope for New South Wales to focus its Gateway efforts more towards larger, more complex projects.

Some aspects of approaches used elsewhere could enhance the NSW project assurance system. Consistent with this and following a review conducted by INSW, the government in December 2014 endorsed a strengthening of the Major Projects Assurance Framework for capital projects costing \$100 million or more and a rename to the Investor Assurance Framework. This involves providing a stronger 'whole-of-government' investor perspective to the independent assurance process.

### 2.1 Comparison to other jurisdictions

We looked at published information on major capital project assurance frameworks in New Zealand, Queensland, Victoria and Western Australia applicable to construction projects costing over \$50 million. We found that all these jurisdictions had assurance frameworks similar to the assurance process currently used in New South Wales.

In summary we found:

- All jurisdictions operate an independent Gateway review process for either six or seven stages of a project life cycle. All jurisdictions have established gateway units in central agencies to support the Gateway process.
- Three jurisdictions (New South Wales, Victoria and New Zealand) require mandatory Gateway reviews at all stages of the project life cycle. In New South Wales, it is limited to projects costed at \$100 million or more, in Victoria to projects defined as High Value High Risk (HVHR) (projects assessed as high risk or costed at \$100 million or more), and to projects assessed as high risk in New Zealand.
- In New South Wales, mandatory Gateway reviews for projects costed between \$10 million and \$100 million at the preliminary and final business case stages are also required. New South Wales is the only jurisdiction to have such a low threshold for mandatory Gateway reviews.
- Copies of mandatory Gateway reviews and agency responses must be provided to central agencies in New South Wales and Victoria only.
- Central agencies in three jurisdictions (New South Wales, Victoria and New Zealand) review preliminary business cases (or their equivalent), with reviews in Victoria limited to projects assessed as HVHR.
- Central agencies in all jurisdictions review final business cases, with reviews in Victoria limited to HVHR projects, reviews in Queensland limited to projects costing \$100 million or more, and reviews in Western Australia limited to projects of significant importance to the State.
- Central agency monitoring post-project approval occurs in all jurisdictions, although, in Queensland it is limited to projects costing \$100 million or more, while in Western Australia it is limited to projects of significant importance to the State.

**Table 1** outlines and compares jurisdictional project assurance processes. More detailed descriptions of the processes applying in the other jurisdictions are at **Appendix 5**.

**Table 1: Inter-jurisdictional comparison of assurance frameworks for large construction projects over \$50 million.**

Activity	NSW	NZ	Qld	Victoria	WA
Gateway review system in place	<b>Yes</b> , initiated by sponsor agency, supported by Treasury or Transport for NSW Gateway Units. Consists of seven stages.	<b>Yes</b> , initiated by sponsor agency, supported by State Services Commission (SCC) Gateway Unit. Consists of six stages.	<b>Yes</b> , initiated by sponsor agency, supported by Treasury Gateway Unit. Consists of six stages.	<b>Yes</b> , initiated by sponsor agency, supported by Treasury Gateway Unit. Consists of six stages.	<b>Yes</b> , initiated by sponsor agency, supported by Department of Finance Gateway Unit. Consists of six stages.
Mandatory Gateway reviews	<b>Yes</b> . For projects between \$10 million and \$100 million only at preliminary business case and final business case stages. For projects \$100 million or more at all seven stages.	<b>Yes</b> , only for projects assessed as high risk by SCC. At all six stages.	<b>No</b> , all reviews are optional, at sponsor agency discretion.	<b>Yes</b> , only for projects assessed as High Value/High Risk (HVHR), which includes projects \$100 million or more. At all six stages.	<b>No</b> , all reviews are optional, at sponsor agency discretion.
Copy of mandatory Gateway reviews to Central Agency	<b>Yes</b> , to Treasury for projects under \$100 million and to INSW for projects \$100 million or more.	<b>No</b>	Not applicable.	<b>Yes</b> , to Treasury and Finance for HVHR projects only.	Not applicable.
Central Agency review of preliminary business case (or equivalent)	<b>Yes</b> , by Treasury for projects under \$100 million and by INSW for projects \$100 million or more.	<b>Yes</b> , by Treasury and SCC.	<b>No</b>	<b>No</b> , for projects not HVHR. <b>Yes</b> by Treasury and Finance for HVHR projects.	<b>No</b>
Central Agency review of final business case (or equivalent)	<b>Yes</b> , by Treasury for projects under \$100 million. By INSW for projects \$100 million or more.	<b>Yes</b> , by Treasury and SCC.	<b>Yes</b> , but only for projects \$100 million or more. Final business case then prepared by Projects Queensland (a unit of Treasury).	<b>No</b> , for projects not HVHR. <b>Yes</b> , by Treasury and Finance for HVHR projects.	<b>Yes</b> , by Treasury. But only if project is deemed to be of 'significant importance to the State' by government. Strategic Projects and Asset Sales (a unit of Treasury), then develops the final business case in collaboration with sponsor agency.
Central Agency monitoring post project approval stage	<b>Yes</b> , by Treasury for projects under \$100 million, through agency pre-tender, post tender and material variation reports. By INSW for projects \$100 million or more through Gateway review reports and bi monthly reports provided by sponsor agencies.	<b>Yes</b> , by SCC and Treasury through sponsor agency exception reports on significant scope, governance or functionality changes. Independent Quality Assurance reports also provided by sponsor agencies to SCC.	<b>Yes</b> , but limited to projects \$100 million or more, by Projects Queensland (a unit of Treasury).	<b>Yes</b> , by Treasury and Finance for projects not HVHR through sponsor agency quarterly reports and for HVHR projects through Gateway review report and quarterly reports provided by sponsor agencies.	<b>Yes</b> , but limited to projects designated as being of significant importance to the State. Strategic Projects and Asset Sales carries out work as outlined in the equivalent of the final business case and reports regularly to sponsor agency, its minister and government.

## 2.2 Potential for risk based approach

While the scope of the audit was confined to construction projects costing over \$50 million, we noted New South Wales was the only jurisdiction requiring mandatory Gateway reviews at the preliminary and final business case stages for projects not assessed as high risk, and costing as low as \$10 million. The other jurisdictions which required mandatory Gateway reviews had significantly higher thresholds, being either for projects assessed as high risk or costing \$100 million or more in Victoria, or projects assessed as high risk in New Zealand.

The Gateway review process in New South Wales is presently designed to be a high level, structured review of predetermined and constant criteria at critical stages of a project's life cycle. Current guidance material states that typically three to four reviewers are involved, one with financial and/or economic expertise, one with relevant project or technical management expertise and one with expertise related to the business of the project, such as IT, property or construction. Additionally, it states that review interviews are conducted over two to four days with the review report being produced within this period.

Sponsor agencies are proposing investment in large construction projects of highly variable complexity, risk and cost, from hospital extensions costing \$50 million to major road networks such as the WestConnex project costing billions of dollars. However, current guidance on Gateway reviews has no requirement to tailor the duration of a review or the composition of the review panel in terms of skills or size to the value, risk or complexity of the project. We consider this is a deficiency in the guidance material, which could take greater account of risk. Treasury has advised that in practice the size and composition of review teams, and duration of reviews, are based on an assessment of an individual project's scope, cost, asset class, complexity and risk.

In view of these disparities, there is an argument that aspects of the capital project assurance system, including Gateway reviews, could have a greater focus on larger, more complex projects.

## 2.3 Capital expenditure authorisation limits

Capital expenditure authorisation limits allow cluster coordinating ministers to vary their Cabinet approved capital programs for General Government sector agencies by adding new, or amending existing, approved capital projects outside the annual Budget process, provided they remained within their set cluster authorisation limits. This mechanism provides an incentive for cost control because ministers are able to direct any savings made to other projects, while cost overruns have to be funded at the expense of other approved projects within the cluster. However, restrictions are placed on ministers' authority. In the case of new projects costing \$5 million or more, ministers need to seek approval from the Treasurer, with their submission to include a final business case. A Gateway review of the final business case is also required if the project cost is estimated at \$10 million or more. However ministers can vary existing approved projects by up to ten per cent of their current approved Estimated Total Cost (ETC) without the Treasurer's approval or Gateway review.

There is a lack of consistency in this arrangement. The ten per cent limitation on changes to existing approved projects can be well above \$10 million. For example, Pacific Highway – Coffs Harbour to Woolgoolga, one of the case study projects, would allow the minister to authorise scope increases costing over \$70 million without Treasurer's approval, a revised business case or Gateway review.

## 2.4 Potential for stronger oversight from the 'investor' perspective

Our research of practices elsewhere also identified some possible improvement opportunities for the NSW capital project assurance system. These included:

- stronger processes and procedures to provide greater assurance to the government that the proposed contract award aligns with the business case and is vigilant of scope creep and cost increases

- a requirement for a strategic merit business case to be approved by the government before a full business case can be commenced
- a committee of senior agency officers who assess the relative value of competing projects and make recommendations to the government.

In December 2014, following completion of audit fieldwork and a review by INSW, the government endorsed a strengthening of the Major Projects Assurance Framework for capital projects costing \$100 million or more and a rename to the Investor Assurance Framework.

This involves providing a stronger whole-of-government investor perspective to the independent assurance process. The key initiative is establishment of a high level Investment Assurance Committee, chaired by INSW and comprising agency senior executives, to provide government with investor-level assurance advice and risk mitigation strategies. The committee is responsible for investor oversight at key decision points in the project life cycle with a focus on value for money outcomes, not outputs.

Mandatory Gateway reviews at all key project stages remain, but INSW will now administer all Gateway reviews using its own seven stage Gateway process rather than using the facilitation services of Treasury or Transport for NSW and their respective Gateway systems. The new framework has yet to be implemented. See **Appendix 4** for a diagrammatic representation of the Investor Assurance Framework.

The ‘investor’ role is broader than that of an individual agency or a project team and is more likely to focus on outcomes and priorities from a whole-of-government perspective. The proposed approach should improve oversight at key decision points in the project life cycle. It has the potential to enhance agency practices, including compliance with Gateway and reporting requirements, and improve government investment outcomes.

## Recommendations

### The Treasury should:

- review the capital project assurance system for capital projects costing less than \$100 million, including the Gateway review process and its monetary thresholds to introduce a greater focus on project risk, noting that cost is only one component of risk (by December 2015)
- enhance assurance processes surrounding major scope variations (by December 2015).

### Infrastructure NSW should:

- report publicly on implementation of, and compliance with, the Investor Assurance Framework (by December 2015).

### 3. Reasons for cost changes

In the case study projects examined, we found scope change was the dominant reason final cost significantly exceeded original approved funding. As a general rule, scope changes should be avoided after project approval. A project where scope is changed will likely cost more than if scope had been settled before it went to market.

We could not reach a conclusion on the effectiveness of the NSW capital project assurance system on large construction projects, due to the significant levels of noncompliance in the case studies we examined. Noncompliance was evident on projects with and without significant scope changes.

Of the 17 case study projects reviewed, eight had increases in the original approved Estimated Total Cost (ETC) as published in the Budget Papers of over 20 per cent or \$20 million, while one had a decrease around 20 per cent.

The dominant reason given for cost increases was an increase in project scope. Other key reasons given for cost increases were:

- failure of a contractor engaged to complete the project
- a successful claim by a contractor for delay costs
- a shortage of skilled staff needed to complete the project
- changes to government priorities or policies, or statutory changes
- cost estimates which were not sufficiently accurate.

The assessments we made of the major causes of cost changes, based on the information available from the agencies concerned and Treasury, are summarised in **Table 2**. More detail is provided in **Appendix 8**.

In reviewing the capital project assurance system for projects costing less than \$100 million, as proposed in our earlier recommendation, Treasury should consider providing guidance on contingency management which adopts the principles of the processes outlined in the October 2014 Treasury circular for projects costing \$100 million or more.

**Table 2: Projects with major change to ETC, major causes of the change**

Project and ETC change	Scope added or changed	Failed contractor	Major contract claim	Skilled resource shortage	Govt priority or statutory changes	Cost estimate not accurate
Great Western Highway Woodford to Hazelbrook <b>\$160m to \$225m</b>	X	X				
Pacific Highway Coffs Harbour to Woolgoolga <b>\$705m to \$860m</b>	X		X			
Prince of Wales Hospital Cancer and Blood Centre <b>\$47.2m to \$79.8m</b>	X					
RNS Hospital Clinical Services Building <b>\$91.8m to \$144.4m</b>	X					
Elizabeth MacArthur Institute Biosecurity Upgrade <b>\$43.3m to \$56.4m</b>	X				X	
South West Rail Link <b>\$1.365b to \$1.789b</b>	X					
Oatley Sutherland Signalling and O/H Wiring <b>\$50.5m to \$79.4m</b>				X	X	X
Hunter Stadium Western Grandstand <b>\$60m to \$80.5m</b>						X
Central Coast Highway Carlton Rd to Matcham Rd <b>\$100m to \$80.8m</b>						X

As a general rule, scope changes should be avoided after project approval. A project where the scope is changed will likely cost more than if the scope had been settled before it went to the market. However, in some instances, as a project progresses, scope changes can become necessary, beneficial and represent value for money. Some project parameters may, for example, be difficult to identify, or value, until after the project is underway. Critically, there should be a proper process to govern scope changes which allows the merits of a scope change to be evaluated on a consistent basis with new competing projects or priorities for funding. When a major scope change occurs, the business case is required to be re-evaluated and reconfirmed. In our view, good practice is for a Gateway review to be conducted to independently validate the re-evaluated business case. This, however, is not currently a requirement.

The low level of compliance with Gateway review and other reporting and monitoring requirements in the case studies prevented us from reaching a conclusion on the effectiveness of the capital projects assurance system in mitigating the occurrence of cost variations on large construction projects.

None of the nine case study projects with significant changes in their ETC had strategic Gateway reviews conducted. Two of these projects were subject to a mandatory requirement for a strategic Gateway review. However, none of the eight projects which experienced minimal changes to cost had strategic Gateway reviews conducted. Two of these projects were also subject to a mandatory requirement for a strategic Gateway review.

Eight of the 17 case study projects did not have a final business case Gateway review conducted prior to funding approval, five of which experienced significant cost changes. Also, of the nine case study projects with significant cost changes, only one had a revised business case addressing the changes which was subjected to a Gateway review.

Section 4 of this report outlines in greater detail our findings on the levels of compliance with Gateway review and other reporting and monitoring requirements.

In terms of cost increases, this audit focused on the period after approval of the final business case and did not examine whether costs may have been lower had different solutions to service needs been implemented, or whether the service need was sufficient to justify such a significant investment. It is clear, however, that the significant noncompliance with the government's external assurance mechanisms in early project stages raises the risk that the solution adopted may be less cost-effective than alternative solutions.

## 4. Implementation of the NSW capital project assurance system

We expected widespread and effective compliance with the requirements of the NSW capital project assurance system.

Our case studies demonstrated significant noncompliance with Gateway review requirements and shortcomings in reporting to Treasury and INSW and monitoring by Treasury.

The current system also has few incentives or sanctions to encourage effective compliance by sponsor agencies, except at the final business case stage, where compliance is linked to funding.

The system is supported by substantial documentation and advice, but its requirements could have been better communicated. The government's June 2012 and May 2013 decisions on responsibilities for Gateway reviews, following the establishment of Infrastructure NSW (INSW), have not yet been the subject of a Treasury circular. The Commission of Audit Interim Report (January 2012) also identified a need for a statement to 'explain the various asset planning and procurement frameworks and their linkages, and clarify in detail the roles and responsibilities of central agencies, clusters and agencies'. This has yet to occur.

The case study projects covered an extended time period, with some still to commence construction, and others completed as early as 2009. This meant that these projects were subject to different external assurance requirements as they evolved over time.

We found that INSW now has in place a more comprehensive monitoring and reporting system which is enhancing external oversight of projects costing \$100 million or more. The evidence we have seen suggests that compliance with this system is relatively high.

In December 2014, the government endorsed a stronger whole-of-government Investor Assurance Framework to provide government with investor-level assurance advice and risk mitigation strategies. The framework is designed to include a greater level of analytic support for the government as an investor before and after an investment decision is made, rather than project-level assurance only.

### 4.1 Compliance with Gateway review requirements

We found significant noncompliance with Gateway review requirements, particularly at the preliminary business case and post final business case stages. In our case studies:

- no mandatory Gateway reviews were undertaken at the justification/option consideration stage
- mandatory final business case Gateway reviews were common, but not universal
- several final business case Gateway reviews were conducted after funding approval
- mandatory post final business case reviews were generally not undertaken
- Gateway review quality improved over time, with recent reviews generally satisfactory.

Gateway reviews are a key component of the major project assurance system. They can provide a structured and independent 'snapshot' of a project's status at critical stages of its life cycle if carried out well. The NSW Commission of Audit in its Interim Report on Public Sector Management stated 'Gateway is important to Treasury. The reviews provide a level of assurance on whether the investment is warranted, the strategic options, and the agency's capability and capacity to deliver the project'. The Commission of Audit was concerned at the relatively low level of compliance with Gateway requirements, commenting that 'by not undertaking reviews, agencies are creating a higher risk for government, especially in the areas of project time, cost and quality deliverables'.

As discussed previously, the perceived benefit of Gateway reviews is also demonstrated by its adoption by other similar jurisdictions such as New Zealand, Queensland, Victoria and Western Australia.

The Gateway review process in New South Wales was strengthened in late 2013 by adding a new 'gate zero' at the needs justification stage to provide confidence that any service needs identified which involve capital investment warrant further consideration. At this time, Gateway health checks were also introduced to complement the regular Gateway review stages, by providing a point-in-time insight into areas of concern which may impact on completion of the next gate or project outcomes. This can be particularly useful in the often lengthy period between the tender evaluation and pre-commissioning Gateway stages of a project.

Gateway reviews in New South Wales are only mandatory at the preliminary business case and final business case stages of any capital project costing between \$10 million and \$100 million. For capital projects costing \$100 million or more, Gateway reviews are mandatory at all seven designated stages of the project life cycle.

The mandatory Gateway reviews at the preliminary business case stage and at the final business case stage are particularly significant, as these stages are considered key hold points in the project development process. The preliminary business case and its Gateway review are meant to be prerequisites before capital projects derived from agency TAM plans can be incorporated into forward estimates in the State Budget, the State Infrastructure Plan, or be subject to a ministerial announcement, while the final business case and its Gateway review are prerequisites for government consideration of project approval and funding.

Gateway reviews can give Treasury or INSW, in their respective roles of reviewing infrastructure investment proposals prepared by sponsor agencies and advising the government on their soundness, added assurance as to project justification and quality of management.

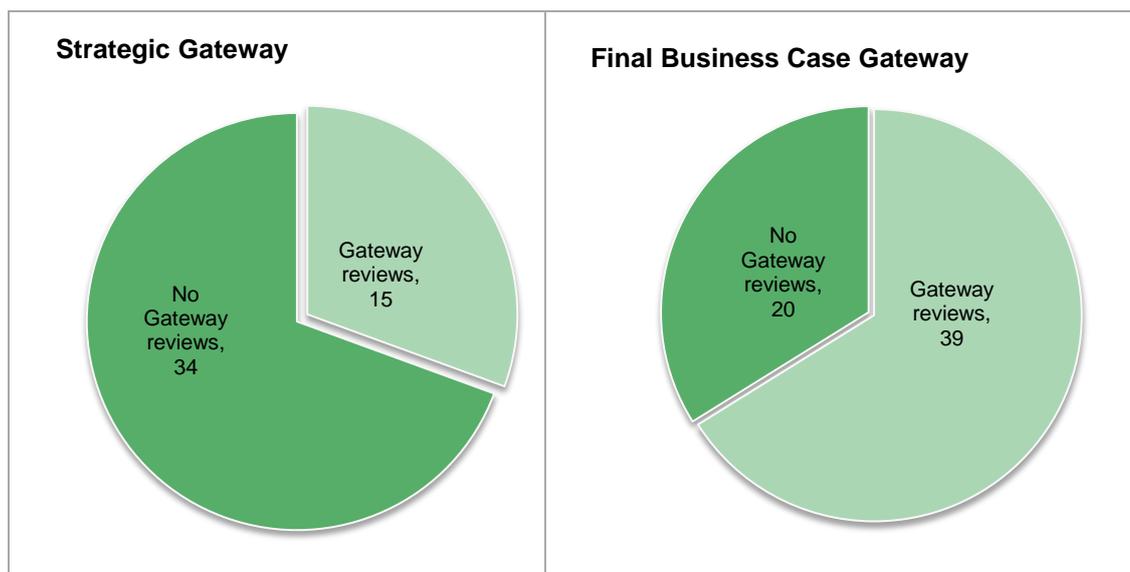
Treasury's Gateway Unit facilitated 151 Gateway reviews on non-transport construction projects valued at \$10 million or more between July 2008 and September 2014. This followed the introduction of the mandatory strategic Gateway review on the preliminary business case for projects costing \$10 million or more (unless assessed as low risk) in May 2008. These included 118 final business case reviews but only 24 strategic reviews.

Between October 2011 and February 2015, Transport for NSW conducted 56 Gateway reviews under its Investment Gating and Assurance framework on transport construction projects costing \$10 million or more. These included 32 final business case reviews and only 18 strategic reviews.

Additionally, the 2014–15 Budget Papers included 25 new non-transport construction projects or programs with an ETC over \$10 million. Of these, only 17 had mandatory Gateway reviews conducted on their final business case, while only seven had mandatory strategic Gateway reviews conducted. Treasury was unable to provide equivalent information on transport related projects, as the Treasury Gateway Unit has not facilitated Gateway reviews on transport projects since doing so on one RMS project in 2009.

Since the advent of INSW, Gateway reviews on transport projects have been conducted by Transport for NSW using its external assurance process. The 2014–15 Budget Papers contained 34 new transport construction projects or programs with an ETC over \$10 million. Of these only twelve had mandatory Gateway reviews conducted on their final business cases, while only eight had mandatory strategic Gateway reviews conducted. See **Exhibit 1** for a diagrammatic representation of compliance performance with mandatory Gateway reviews for new construction projects with an ETC over \$10 million listed in the 2014–15 Budget Papers.

**Exhibit 1 – Conduct of mandatory Gateway reviews on new construction projects in 2014-15 Budget**



These outcomes indicate significant and ongoing noncompliance with the requirement for mandatory strategic Gateway reviews on projects costing \$10 million or more. We found that this pattern of noncompliance was similar on the case study projects. For example, none of the five case study projects which were subject to the mandatory submission to Treasury of a preliminary business case and a strategic Gateway review fully complied with this requirement, because a strategic Gateway review was not conducted.

We also found some noncompliance with the requirement for mandatory Gateway reviews at the final business case stage for the case study projects, which was similar to the compliance pattern for the new construction projects in the 2014–15 Budget Papers.

Only five of the 15 case study projects which were subject to the mandatory submission to Treasury of a final business case and Gateway review prior to any funding approval fully complied with this requirement. Six other projects partially complied. Full compliance in this case meant Gateway reviews were conducted on final business cases and copies submitted to Treasury or INSW, as appropriate, prior to funding being approved. Partial compliance involved either a Gateway review being conducted after funding was approved, or a Gateway review not being provided to Treasury or INSW prior to funding approval, even though a review had been conducted.

While not specifically a Gateway compliance issue, we found occurrences of either noncompliance with other assurance requirements or what we consider to be not good practice regarding final business cases:

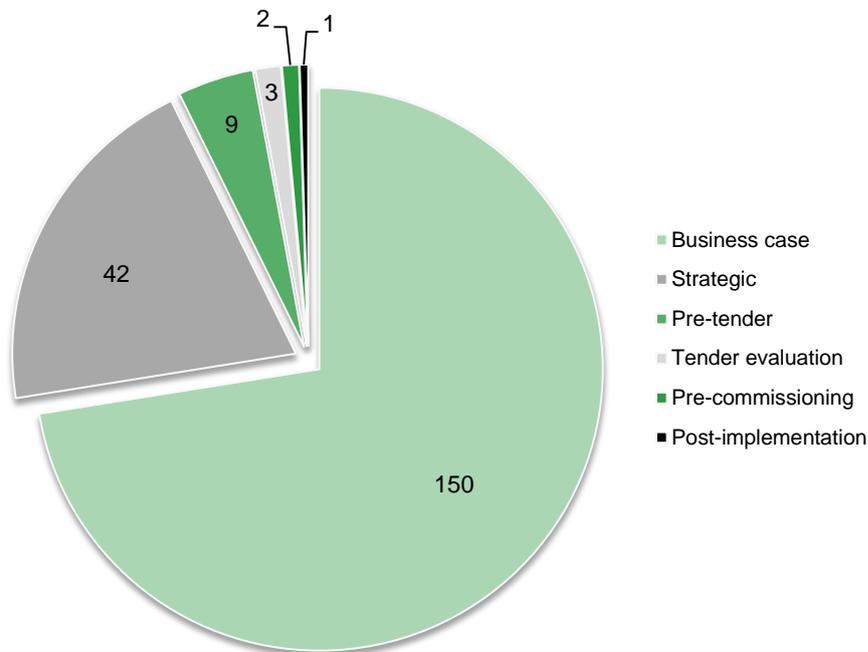
- In one case study project, following initial funding approval, the project scope was increased by around \$33 million or 69 per cent, but a revised business case was not prepared and submitted to Treasury as required. Despite this, the additional funding was approved for the scope change.
- In another case study project, following initial funding approval, the project scope was increased by around \$52 million or 57 per cent. A revised business case was prepared and submitted to Treasury, but not Gateway reviewed. While not a mandatory requirement, we consider the conduct of a Gateway review to validate a revised business case where there is a large scope change is good practice and consistent with the underlying principle that funding submissions should be supported by Gateway reviews.

There was also noncompliance with the requirement for mandatory Gateway reviews at all Gateway stages following funding approval for the case study projects costing \$100 million or more. Only two of the eight case study projects which were subject to mandatory conduct and submission to INSW of Gateway reviews at all Gateway stages after funding approval have fully complied with this requirement. Full compliance in this case meant either such reviews were completed and submitted to INSW, or the project had yet to reach the stage where reviews were required to be done.

We found there are no real incentives or penalties for noncompliance with the Gateway assurance process by sponsor agencies, except possibly at the final business case stage where securing funding approval is the prime motivator. This contrasts with the Victorian process for HVHR projects. There, agencies must submit to Treasury a preliminary business case, together with a Gateway review, and get specific approval from government to go to the next stage of developing a final business case. If a final business case is produced, then it must also be Gateway reviewed and submitted to Treasury, together with the review, before the government will consider any funding approval.

The introduction of the Gateway health check process into the Gateway review system in late 2013 may lead to better assurance outcomes, particularly after the post tender evaluation stage where there is usually a large time gap to the next (pre-commissioning) stage Gateway review. However, for this to occur, sponsor agencies or the relevant central agencies (Treasury and INSW) need to become much more proactive in initiating such reviews. There has been a lack of enthusiasm for Gateway reviews post tender evaluation stage. Of the 207 Gateway reviews conducted by Treasury’s Gateway Unit since July 2008 and Transport for NSW since October 2011 on construction projects costing \$10 million or more, only three were for either the pre-commissioning or post implementation stages. No Gateway health checks were carried out on any construction project. See **Exhibit 2** for a diagrammatic representation of the various types of Gateway reviews conducted by Treasury and Transport for NSW.

**Exhibit 2 – Gateway reviews conducted by Treasury since July 2008 and Transport for NSW since October 2011 (construction projects costing \$10 million or more)**



It is clear that where a Gateway review is mandatory it may sometimes occur, but where it is not mandatory it is unlikely to occur despite such reviews being good practice and encouraged by Treasury circulars.

## 4.2 Quality of Gateway reviews

We found the quality of Gateway reviews for final business cases on the case study projects has improved over time. Reviews conducted under the Transport for NSW Investment Gating and Assurance Framework were robust and comprehensive. While Gateway reviews conducted under the Treasury facilitated system on recent Health projects have improved in quality and are generally satisfactory, we noted that a recent review on a Health project concluded that the final business case was satisfactory despite the absence of a mandatory benefits realisation strategy.

We found the quality of recent Gateway reviews at the final business case stage for the case study projects to generally be satisfactory. However, some of the earlier Treasury facilitated reviews demonstrated deficiencies in quality.

More recent Gateway reviews on RMS projects conducted using the Transport for NSW Investment Gating and Assurance Framework appear significantly more robust. Using the Wallgrove Rd Gateway review as an example for comparison with the Pacific Highway project review, review team members had significant experience in delivering major capital projects, a much larger number of RMS personnel (ten vs four) and documents (29 vs two) were interviewed and reviewed respectively, and the review report was significantly more detailed and comprehensive (43 pages vs seven pages).

In summary, we found the conduct of Gateway reviews at the final business stage on RMS projects under the current Transport for NSW Investment Gating and Assurance Framework was robust in terms of the independence and expertise of Gateway reviewers. The standard Transport for NSW terms of reference for such reviews reflected the requirements for final business cases as outlined in the Treasury Policy and Guidelines paper TPP 08–05 for capital business cases and acted as a checklist for reviewers.

Gateway reviews facilitated by Treasury at the final business case stage on the three most recent Health case study projects (Prince of Wales Hospital Cancer and Blood Disorder Centre, Wagga Wagga Hospital Redevelopment and Royal North Shore Hospital Clinical Services Building), which were carried out between 2010 and 2012, appeared robust in terms of the independence and expertise of the reviewers. However, we noted the Gateway review of the Wagga Wagga Hospital project final business case concluded that the service delivery criterion was adequately dealt with, despite there being no benefits realisation strategy (a requirement of TPP 08-05).

Cost estimates used to support business cases are a key determinant in the investment decision. In our review of the case study projects we noted some variability in the extent to which reviewers on non-transport projects dealt with cost estimates. For example, the Hunter Stadium Western Grandstand final business case Gateway review raised concerns about the project's affordability and whole-of-life costs, but did not point out the complete absence of any detail or supporting evidence for the project's single line cost estimate. The estimate turned out to be poor, and was the main reason the project exceeded its initial approved budget by over 35 per cent.

While the above instances of deficiencies in the case study projects are isolated, they point to areas where there may be potential for Treasury to review and implement improvements to the conduct and management of Gateway reviews.

**Table 3** summarises our assessment of case study project compliance with the mandatory Gateway review obligations, as well as the quality of Gateway reviews conducted. See **Appendix 8** for greater details on the nature of the noncompliances.

**Table 3: Agency and case study project compliance with mandatory Gateway requirements**

Sponsor Agency	Project	Mandatory strategic or preliminary business case Gateway review			Mandatory final business case Gateway review				Mandatory post funding Gateway reviews
		Carried out	Satisfactory quality	Timely submission	Carried out	Before funding approval	Satisfactory quality	Timely submission	Undertaken when required
RMS	Great Western Highway-Woodford to Hazelbrook	N/A	N/A	N/A	No	N/A	N/A	N/A	No
	Pacific Highway Coffs Harbour to Woolgoolga	N/A	N/A	N/A	Yes	Yes	Yes	Yes	No
	Transport Access Program Commuter wharf upgrades	No	N/A	N/A	No	N/A	N/A	N/A	N/A
	Central Coast Highway Carlton Rd to Matcham Rd	N/A	N/A	N/A	No	N/A	N/A	N/A	N/A
	Old Wallgrove Rd	No	N/A	N/A	Yes	Yes	Yes	No	No
	Inner West Busway	N/A	N/A	N/A	No	N/A	N/A	N/A	N/A
	Schofields Rd Stage 2 Tallawong Rd to Veron Rd	No	N/A	N/A	Yes	Yes	Yes	No	No
	The Northern Rd Camden Valley Way to Peter Brock Drive	N/A	N/A	N/A	Yes	Yes	Yes	No	Yes
Health	Prince of Wales Hospital Cancer and Blood Disorder Centre	No	N/A	N/A	Yes	Yes	Yes	Yes	N/A
	Royal North Shore Hospital Clinical Services Building	No	N/A	N/A	Yes	No	Yes	Yes	No
	Wagga Wagga Base Hospital Stages 1 and 2 Redevelopment	N/A	N/A	N/A	Yes	No	No	Yes	No
	Royal North Shore Hospital Research and Education Building	N/A	N/A	N/A	Yes	Yes	Yes	Yes	N/A
	Liverpool Hospital Stage 2 Redevelopment	N/A	N/A	N/A	Yes	Yes	Yes	Yes	N/A
DPI	Elizabeth Macarthur Institute Biosecurity Upgrade	N/A	N/A	N/A	Yes	Yes	Yes	Yes	N/A
RailCorp Sydney Trains	Oatley Sutherland Signalling and Overhead Wiring	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TIDC Transport for NSW	South West Rail Link	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes
Venues NSW	Hunter Stadium Western Grandstand	N/A	N/A	N/A	Yes	No	No	Yes	N/A

### 4.3 Project assurance system policy dissemination

The NSW capital project assurance system is supported by substantial documentation and advice. Its requirements, however, should have been better communicated.

There are various circulars and other documents outlining elements of project assurance, but these are not always consistent.

The government's June 2012 and May 2013 decisions regarding the integration of Infrastructure NSW into the assurance system have not yet been the subject of a Treasury circular.

There appears to be some confusion among sponsor agencies over the roles and responsibilities of INSW and Treasury and their monitoring and reporting requirements.

The NSW capital project assurance system is supported by substantial documentation outlining its requirements and providing advice on its operation. This includes:

- Treasury circulars
- Treasury guidelines for business cases and economic or financial appraisals
- Treasury and Transport for NSW guidance on the Gateway process they manage and facilitate, including workbooks, checklists and specific guidance separately tailored to reviewers, interviewees and sponsor agencies.

We found specific and up-to-date requirements have not been effectively communicated to line agencies:

- The revised assurance arrangements for capital projects endorsed by the government in May 2013 are yet to be formally promulgated. In discussions with INSW, Treasury and Transport for NSW we were advised agreement was reached on the way forward, but this had not been put in writing and circulated to all agencies. Recently, Transport for NSW and Treasury agreed in writing that Transport for NSW would continue its practice of applying its Investment Gating and Assurance process to transport projects costing \$10 million or more. However we note that the government's decision in May 2013 was that Treasury should be responsible for providing assurance on all construction projects up to \$100 million.
- The policy is not clearly articulated. The various Treasury circulars and other guidance documents outlining elements of project assurance are not always consistent. For example, Treasury Circular TC 13/08 and Policy and Guidelines Paper TPP 13-03, dated 15 October 2013, do not reflect the new arrangements endorsed by the government in May 2013 for projects costing \$100 million or more. They state Gateway reviews are still only mandatory at preliminary and final business case stages for projects costing \$10 million or more.
- The establishment of INSW has introduced some additional complexity and there is some confusion and possible gaps over the respective roles of INSW, Treasury, Transport for NSW and sponsor agencies regarding assurance and reporting requirements. For example, INSW considers that in having Treasury manage the Gateway process on its behalf on non-transport projects costing \$100 million or more, it expects Treasury to ensure Gateway reviews are conducted as and when required for each mandatory stage. Treasury's view is that this is a sponsor agency responsibility, and Treasury only acts when approached by sponsor agencies to carry out Gateway reviews.

See **Appendix 6** for a more extensive summary of expectations by INSW of Treasury, Transport for NSW and sponsor agencies in relation to its major projects assurance role and responsibilities, and their understanding of INSW expectations.

Our findings are consistent with those in the Commission of Audit Interim Report on Public Sector Management, which identified a need for a statement to 'explain the various asset planning and procurement frameworks and their linkages, and clarify in detail the roles and responsibilities of central agencies, clusters and agencies'.

#### 4.4 Sponsor agencies reporting responsibilities

Project sponsor agencies have reporting responsibilities to either Treasury (for construction projects costing less than \$100 million) or INSW (for projects \$100 million or more) in addition to their Gateway review responsibilities.

This reporting supports the monitoring and reporting role these central agencies have under the project assurance system. This is particularly important in providing scrutiny during the period between project work commencing and its completion, where there are no formal Gateway review stages.

We found significant noncompliance by sponsor agencies in fulfilling their reporting responsibilities which occur after project funding is approved, to Treasury.

On the other hand, we found relatively high levels of compliance in reporting to INSW, with the exception of timely submission of Gateway review reports.

Project sponsor agencies have specific reporting responsibilities to Treasury on construction projects costing less than \$100 million and to INSW on projects costing \$100 million or more under the project assurance system.

For projects costing between \$10 million and \$100 million, sponsor agencies need to provide Treasury with:

- Gateway review reports
- procurement strategy and pre tender estimate reports which reconfirm the business case prior to calling tenders
- a post-tender review report reconfirming the business case prior to contract award
- material variations reports highlighting major changes to project scope, cost and time as they occur.

In the case studies, we found when Gateway reviews were done agencies provided review reports to Treasury in a timely manner. We found significant noncompliance with the other reporting requirements in the case study projects we reviewed. Five of the 12 case study projects required to submit post final business case reports did not comply. These were all transport projects. This was despite it being critical to re-confirm the validity of the final business case as knowledge about the project, such as estimated cost and scope, improves.

For projects costing \$100 million or more, sponsor agencies need to provide INSW with:

- Gateway review reports (noting that such reviews are now mandatory at all seven key stages of a project including procurement strategy, pre-tender, and pre-contract award stages)
- regular (every two months) reports on project status.

To ensure the information provided meets INSW's needs, INSW has developed a detailed template for reports from sponsor agencies to provide a comprehensive monitoring and reporting system.

We found that all Gateway review reports compiled for case study projects were provided to INSW, but on three RMS projects this was done between nine and twelve months after review completion. This is not sufficiently timely. RMS advises that the submission of Gateway review reports and project reporting for the Transport cluster is the responsibility of Transport for NSW.

The evidence we have seen suggests that compliance with the INSW regular reporting system is relatively high. This provides additional scrutiny over such projects from the time work starts until the project is completed. This is a period where Gateway reviews are not routinely conducted.

#### 4.5 Capital project assurance system management and central agency monitoring

Treasury has not done enough to ensure the government's capital project assurance system is effectively implemented on construction projects costing between \$10 million and \$100 million. As discussed earlier, compliance with the system's requirements by sponsor agencies has not been adequate.

We also found noncompliance with the current assurance requirements for projects over \$100 million. INSW, however, has demonstrated that it has taken steps to improve its monitoring and agency compliance with Gateway and reporting requirements. Noncompliance may have been exacerbated by the absence of a Treasury circular implementing the government's decision on the roles of INSW, Treasury and Transport for NSW in major project assurance.

Treasury and INSW have responsibilities to ensure the government's project assurance system is effectively implemented on large construction projects.

These include ensuring that key documentation, such as preliminary and final business cases are prepared and submitted to them by sponsor agencies, all mandatory Gateway reviews are conducted and submitted to them by sponsor agencies, and other reporting requirements by sponsor agencies are met.

We discussed earlier:

- the significant noncompliance with mandatory Gateway and reporting requirements on our case study projects
- the confusion in sponsor agencies created by the absence of a circular promulgating the government's decisions on the integration of INSW into project assurance
- the inconsistency in published documents and a lack of clarity in roles and responsibilities of sponsor and central agencies
- that many new construction projects were included in the 2014–15 budget without Gateway reviews being conducted on business cases, in contravention of the policy.

#### Treasury

The capital project assurance system is Treasury's policy, is fundamentally sound, but is not being complied with effectively.

While sponsor agencies are responsible for compliance with the assurance system on individual projects, we consider it is Treasury's responsibility to ensure this occurs, and that the system is operating effectively.

Treasury is perhaps better placed than any other agency to take steps to ensure effective compliance because of its important role in resource allocation.

We accept that there may be departures from policy as a result of deliberate government decisions. However, these should be kept to a minimum. When departures occur, the justification should be strong, clearly documented and transparent. This is not the present situation.

The Auditor-General of Victoria recently found a similar situation in that State. A performance audit on Victoria's gateway review system tabled in May 2013 found that the gateway review process had been mandatory for high risk projects since 2003, but the Department of Treasury and Finance was not effective in making sure that this requirement was complied with. Treasury and Finance had not done enough to make sure the gateway review process was capturing all the projects intended.

Consistent with its position on responsibility, we found no evidence of any systematic approach within Treasury to address noncompliance with the government's capital project assurance system, which was designed to provide 'greater and better quality upfront planning by agencies in their formulation of funding proposals'.

Treasury confirmed that there were situations where noncompliance with the capital projects assurance system had occurred:

- With the exception of mega transport projects, Treasury, in the past, did not insist that Transport cluster agencies such as RMS and Transport for NSW submit preliminary or final business cases and Gateway reviews if approved capital expenditure authorisation limits for the cluster were not exceeded. Transport for NSW is, however, now required to confirm to Treasury that business cases for transport projects costing over \$5 million have been completed in accordance with its Investment Gating and Assurance Framework, and provide them to Treasury on request. Treasury also advised that it now requests and receives final business cases for the majority of transport projects selected from a list of all business cases completed by transport agencies provided by Transport for NSW. However, Gateway reviews are not automatically sought or provided with submitted business cases.
- Treasury allowed Health to submit a combined preliminary and final business case with a Gateway review for some projects, particularly those being fast-tracked due to election commitments, provided approved capital expenditure authorisation limits for the cluster were not exceeded.

These divergent approaches to portfolios and agencies with capital expenditure authorisation limits should not continue and these agencies should fully meet the prescribed assurance requirements for all projects, with any departures specifically considered and approved by government. We note that this is being addressed for capital projects costing \$100 million or more by the implementation of the Investor Assurance Framework. Treasury has advised that for transport projects below \$100 million, Transport for NSW and Treasury, following the undertaking of a joint review, are formalising the process of budget approval for capital projects, including the process for obtaining assurance that the government procurement policy framework has been met.

We also found that on all Health case study projects, as well as the South West Rail Link and Hunter Stadium projects, Treasury was a member of a project steering committee or control group. In the case of Health projects, Treasury had an observer status on such committees. Health claimed this provided a level of project assurance equivalent to the independent assurance policy. Treasury also advised that it considers its membership to be valuable to understand project process, assess economic benefits, affordability, risk management and contingency management of projects, while maintaining an appropriate distance from the delivery aspects of the project.

While satisfied that Treasury's observer status and activities on Health project steering committees provides it with an equivalent level of project oversight to that stipulated in the assurance requirements, we do not consider that Treasury membership of such committees, even as an observer, is a substitute for the conduct of mandatory Gateway reviews at key stages of the procurement cycle, as claimed by Health. Ultimately, however, the acceptability of such departures is a matter for the government to determine and for Treasury to clearly document and make transparent.

## Infrastructure NSW

In our case studies where projects cost \$100 million or above, we found that Gateway reviews were not always carried out at all key project stages, and Gateway review reports were not always provided to INSW in a timely manner.

For three RMS projects, Gateway review reports on the final business case were provided to INSW some nine, 11 and 12 months after they were conducted, while no mandatory Gateway reviews were carried out at the preliminary business case stage. Additionally, a contract for two of these projects has been awarded without a mandatory tender award Gateway review. For one Health project, while funding was approved prior to the creation of INSW, the construction contract was awarded in September 2013, but a tender award Gateway review was not conducted and forwarded to INSW.

However, it should be noted:

- the abovementioned projects were relatively soon after the government's decision on responsibilities for major projects assurance, and it could be argued that this was a transition period for INSW
- the government's decision on responsibilities and requirements for major projects assurance has never been the subject of a Treasury circular.

It is also apparent that INSW has taken steps to improve compliance since then.

INSW now operates a comprehensive assurance and monitoring framework on major infrastructure projects which are subject to its designated role under the *Infrastructure NSW Act 2011*. This covers all major construction projects costing \$100 million or more. The stated objectives of the framework are to:

- prevent projects failing or not realising their stated objectives and benefits
- improve clarity in the feasibility phase of projects
- drive better governance
- inform government intervention (if needed).

The framework includes:

- INSW being responsible for conducting Gateway reviews at all key stages of a project lifecycle, from project justification to post implementation
- INSW delegating the actual facilitation and conduct of Gateway reviews to Transport for NSW for transport related projects, and to Treasury for non-transport projects, with Gateway reports being submitted to INSW
- regular reporting to INSW by sponsor agencies on project status
- the provision of all business cases and Gateway reviews to INSW
- INSW providing diagnostic services on project health and advising government accordingly.

INSW demonstrated to us that it monitors and reports to the government on project progress, including scheduling of Gateway reviews.

As discussed earlier, in December 2014 the government endorsed a whole-of-government Investor Assurance Framework, including a high level Investment Assurance Committee (IAC), chaired by INSW and comprising agency senior executives, to provide government with investor-level assurance advice and risk mitigation strategies. The framework is designed to include a greater level of analytic support for the government as an investor before and after an investment decision is made, rather than project-level assurance only.

Key features include IAC's:

- consideration of a strategic merit business case before seed funding is provided for a business case
- approval of the preferred tenderer, including ensuring the proposal is within the approved final business case parameters
- conduct of quarterly investor reviews during the project delivery phase and reviewing major variations which fall outside the terms of the final business case.

A key challenge for INSW, the IAC and the new Investor Assurance Framework will be to ensure agency compliance with Gateway and other assurance requirements, but it has the potential to help increase compliance.

### **Recommendations**

#### **The Treasury should:**

- issue documentation which clarifies the government's decisions on Gateway reviews for large capital project assurance (by July 2015)
- report publicly on compliance with the Gateway review and other reporting and monitoring requirements for capital projects costing less than \$100 million (by December 2015).

#### **The Treasury and Infrastructure NSW should:**

- regularly monitor and evaluate the effectiveness of the government's large capital project external assurance arrangements.

# Appendices

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## Appendix 1: Response from the Department of Premier and Cabinet



Reference: A1173281

Mr Grant Hehir  
Auditor-General  
Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2000

Dear Mr Hehir

### **Performance Audit – Independent assurance of large construction projects**

Thank you for inviting relevant NSW Government agencies to provide a formal response to the Audit Office report and its recommendations. The following is a consolidated response to be incorporated in the published report.

The report is timely and, through its survey of selected case studies, highlights the significant improvements in project assurance that have been implemented in recent years. Considerable effort has gone into improving project oversight and important steps have already been made, including:

- Structural changes within Government and agencies, including the role of Infrastructure NSW and independent units within major portfolios charged with project delivery (Health infrastructure and Investment Programs, Transport for NSW)
- An evolving policy framework including a new Contingency Management Policy
- The Capital Performance Review by Infrastructure NSW, which examined the whole asset management cycle, leading to the Government's endorsement of the Infrastructure Investor Assurance Framework (IIAF) applying to all projects over \$100 million or assessed as high profile / high risk
- The review and upgrade of the project assurance Gateway process into a single framework, with the introduction of two new elements – the Project Justification Gate and the Health Check – which can be required at any time during a project
- Pursuing long term strategic change through the revision, by Treasury's Financial Management Transformation Program, of the complete Capital Asset Management policy framework.

As you would expect, these arrangements will continue to evolve and be strengthened to enhance their effectiveness.

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**Recommendation 1** – *The Treasury should review the capital project assurance system for capital projects costing less than \$100 million, including the Gateway review process and its monetary thresholds, to introduce a greater focus on project risk, noting that cost is only one component of risk (by December 2015).*

**Response** It is recognised that projects under \$100 million make up a significant component of the State's capital program and should be subject to appropriate levels of project assurance. The IIAF introduces criteria to assess projects as high profile/high risk for assurance review which means that some projects less than \$100 million can be included. However, there should be a single framework which applies a consistent set of principles across all projects.

Treasury will be commissioning a review of the existing Gateway policy to consider, amongst other things, the scope of non-major projects that are Gateway reviewed and the role of risk in setting these criteria. The outcomes of this review will be presented to Government for consideration.

**Recommendation 2** – *The Treasury should enhance assurance processes surrounding major scope variations (by December 2015).*

**Response** The IIAF will ensure that major scope variations for projects over \$100 million and those identified as high profile / high risk are subject to review. Treasury will investigate how assurance processes might be adjusted to better reflect the risks associated with major project variations.

**Recommendation 3** – *The Treasury should issue documentation which clarifies the Government's decisions on Gateway reviews for large capital project assurance (by July 2015).*

**Response** Treasury and INSW will work together to confirm with agencies both the detail of the existing decisions and associated implementation requirements.

**Recommendation 4** – *The Treasury should report publicly on compliance with Gateway review and other reporting and monitoring requirements for capital projects costing less than \$100 million (by December 2015).*

**Response** Treasury will investigate mechanisms for reporting on the extent to which Gateways reviews are undertaken as required.

**Recommendation 5** – *Infrastructure NSW should report publicly on implementation of, and compliance with, the Investor Assurance Framework (by December 2015).*

**Response** Infrastructure NSW will investigate mechanisms for reporting on the extent to which Gateways reviews are undertaken as required.

**Recommendation 6** – *The Treasury and Infrastructure NSW should regularly monitor and evaluate the effectiveness of the Government's large capital project external assurance arrangements.*

**Response** Regular review and monitoring is part of the core functions of Treasury and INSW. The new Investor Assurance Framework will focus on high profile / high risk projects and further enhance these functions, in particular with regard to variations for major projects. Particular matters which may be further focussed on include the nature and extent of scope

variations, the management of contingency allowances and the adherence to planned project timetables.

We would like to thank the Audit Office for consulting with us throughout the Audit process and believe that the recommendations are consistent with and build on the steps already undertaken by the NSW Government.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Blair Comley'.

Blair Comley PSM  
Secretary

5 May 2015

## Appendix 2: Selected case study projects and sponsor agencies

Project Name	Sponsor Agency	Current ETC	Current Completion Year	Initial ETC and Year
Prince of Wales Hospital Cancer and Blood Disorder Centre	NSW Health	\$79.8m	2017	\$47.2m 2011–12
Royal North Shore Hospital Clinical Services Building	NSW Health	\$144.4m	2015	\$91.8m 2010–11
Wagga Wagga Base Hospital Redevelopment Stages 1, 2	NSW Health	\$270.1m	2016	\$270.0m 2011–12
Royal North Shore Hospital Research and Education Building	NSW Health	\$96.0m	2009	\$91.4m 2007–08
Elizabeth Macarthur Institute Biosecurity Upgrade	Department of Primary Industries	\$56.4m	2013	\$43.3m 2008–09
Great Western Highway Woodford to Hazelbrook	Roads and Maritime Services	\$225.0m	2014	\$160.0m 2008–09
Pacific Highway Coffs Harbour to Woolgoolga	Roads and Maritime Services	\$860.0m	2014	\$705.0m 2010–11
Transport Access Program Commuter Wharf Upgrades	Roads and Maritime Services	\$89.5m	2015	\$89.0m 2008–09
Oatley Sutherland Signalling and Over Head Wiring	RailCorp Sydney Trains	\$79.4m	2012	\$50.5m 2005–06
South West Rail Link	Transport Infrastructure Development Corporation Transport for NSW	\$1789.0m	2016	\$1365.0m 2008–09
Hunter Stadium Western Grandstand	Venues NSW	\$80.5m	2012	\$60.0m 2009–10
Central Coast Highway Carlton Rd to Matcham Rd	Roads and Maritime Services	\$80.8m	2013	\$100.0m 2010–11
Old Wallgrove Rd Erskine Park Link Rd to M7	Roads and Maritime Services	\$95.0m	2016	\$95.0m 2014–15
Inner West Busway	Roads and Maritime Services	\$175.0m	2011	\$175.0m 2009–10
Schofields Rd Stage 2 Tallawong Rd to Veron Rd	Roads and Maritime Services	\$135.0m	2017	\$135.0m 2014–15
The Northern Rd Camden Valley Way to Peter Brock Drive	Roads and Maritime Services	\$152.0m	2018	\$160m 2014–15
Liverpool Hospital Redevelopment Stage 2	NSW Health	\$397.3m	2013	\$390.0m 2006–07

## Appendix 3: Chronology of assurance policies and guidelines

**Treasury Circular TC 04/07 and Treasury Policy and Guidelines Paper TPP 04–1, dated 1 July 2004**, issued in response to a Treasurer’s Direction under section 9 (1) of the *Public Finance and Audit Act 1983*, introduced the use of Gateway reviews as part of reforms to the capital project assurance process. The reformed assurance process for major capital projects included:

- Introduction of a six stage independent Gateway review process.
- Gateway reviews generally a one week process, using a team of three (or more) independent experts to review the current project stage against seven success factors (service delivery, affordability (value for money), sustainability, governance, risk management, stakeholder management and change management).
- Mandatory Gateway reviews on the final business case used to inform any funding decision, irrespective whether this is by the government or internal to an agency.
- Agencies encouraged to initiate Gateway reviews at the other five stages, particularly at pre tender award stage.
- Gateway review teams to be independent of the project and of the sponsor agency.
- Final business case Gateway reviews being linked to the Budget process by the sponsor agency submitting Gateway review reports together with the final business case to Treasury with their bid for capital funding.
- Gateway reviews facilitated by the then Department of Commerce.
- Sponsor agencies to submit to Treasury a procurement strategy and pre-tender estimate reports which reconfirm the business case prior to calling tenders.
- Sponsor agencies to submit to Treasury a post-tender review report reconfirming the business case prior to contract award.
- Sponsor agencies to submit to Treasury after contract award material variations reports highlighting major changes to project scope, cost and time as they occur.

These reforms applied to all government agencies, statutory authorities, trusts and other government entities other than State Owned Corporations (SOCs).

**Treasury Circular TC 06/20 dated 13 July 2006** introduced the concept of Capital Expenditure Authorisation Limits as a budget control measure. This allowed portfolio ministers to vary their Cabinet approved capital programs for General Government sector agencies by adding new or amending existing approved capital projects outside of the annual Budget process, provided they remained within their portfolio set authorisation limits. However, limits are placed on ministers’ authority. In the case of existing approved projects, they cannot be varied by more than ten per cent of their current approved Estimated Total Cost in Budget Paper 4. In the case of additional projects costing at \$1 million or more, ministers need to seek approval from the Treasurer, with their submission to include a final business case. A Gateway review report is also required prior to submission to the Treasurer if the project cost is estimated at \$10 million or more. The circular is silent on what happens if ministers wish to amend an existing approved project by more than ten per cent, although Treasury advice is that such a change would need to be approved by the Treasurer. This still does not address whether a revised final business case and/or a Gateway review report is also required.

**Treasury Circulars TC 08/06 and TC 08/07 dated 29 May 2008** introduced a new process for developing the State’s ten year infrastructure strategy and submission of business cases and Gateway review reports on projects costing \$10 million or more. Together with their annual Total Asset Management (TAM) submissions, General Government sector agencies and ‘nominated’ SOCs were required to submit to Treasury:

- for projects planned to start in the next two to four years both a preliminary business cases and a strategic Gateway review report
- for projects proposed for funding approval in the coming budget year, a final business case and its Gateway review report.

**Treasury Circular TC 08/07 dated 29 May 2008** introduced the mandatory provision of preliminary business cases together with Gateway review reports by General Government sector agencies and 'nominated' SOCs to Treasury for capital projects costing \$10 million or more. This circular complemented Treasury Circular TC 08/06.

**Treasury Policy and Guidelines Paper TPP 08–5 dated December 2008** introduced detailed guidelines and templates for the preparation of preliminary and final business cases for capital projects.

**Treasury Circular TC 10/13 dated 2 November 2010** advised that the Treasury Gateway Unit will facilitate Gateway reviews and that the timing for preliminary business case submissions together with Gateway review reports to Treasury was to be prior to projects being included in the Budget forward estimates, the State Infrastructure Strategy publication, or other public statement.

**Treasury Circular TC 12/19 dated 11 October 2012** updated Treasury Circular TC 08/09 by increasing the lower threshold for submission of preliminary and final business cases on capital projects to Treasury from \$1 million to \$5 million.

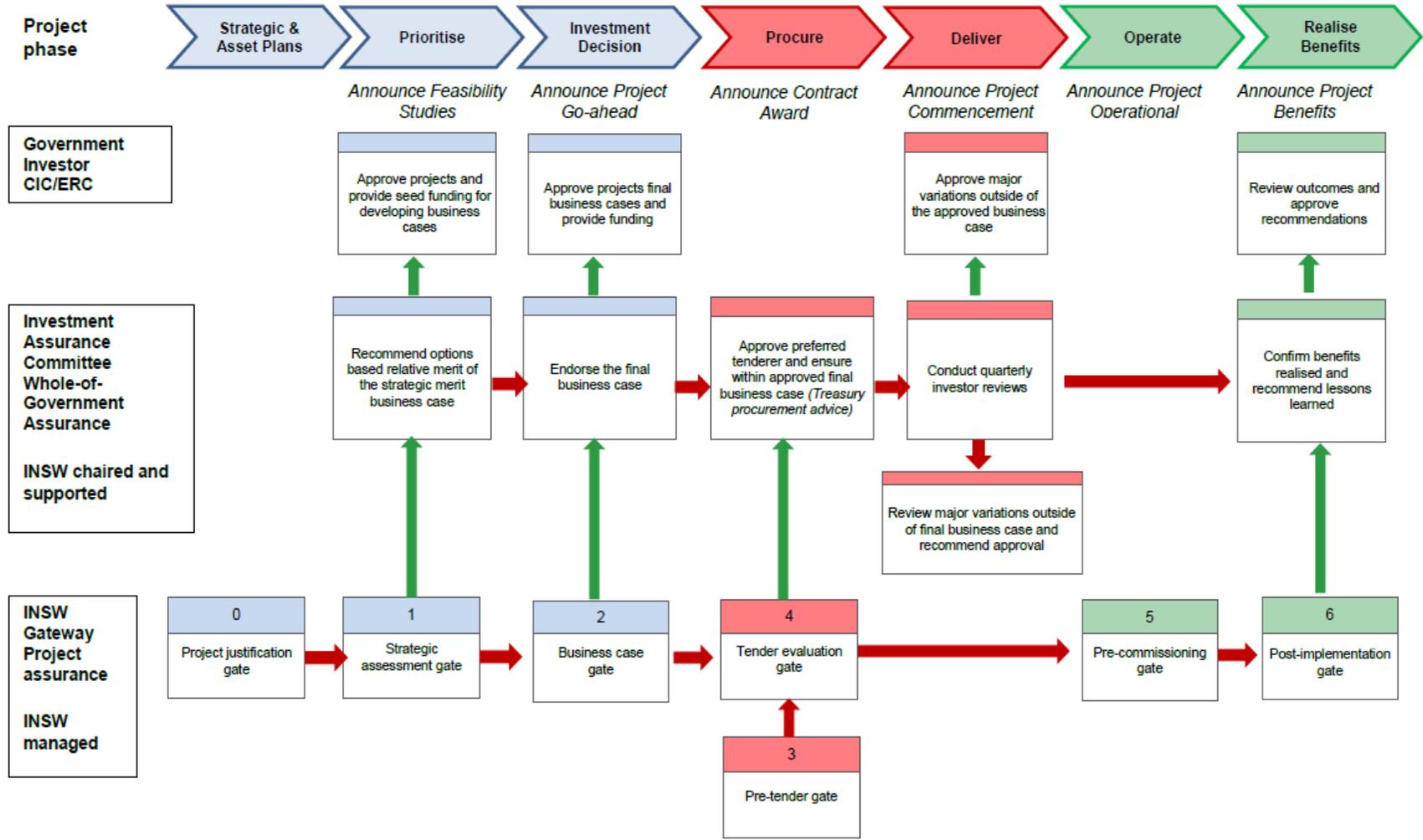
**Treasury Circular TC 12/20 dated 11 October 2012** updated Treasury Circular TC 06/20 on the use of Capital Expenditure Authorisation Limits as a budget control measure. Changes primarily were that portfolio ministers were replaced with cluster coordinating ministers, with ministers able to operate within the consolidated authorisation limits for the whole cluster, and the threshold for submission of final business cases to the Treasurer for proposed new projects within the cluster authorisation limits was raised to \$5 million.

**In June 2011, the Infrastructure NSW Act 2011 established Infrastructure NSW.** This established a role for INSW to review and evaluate proposed major infrastructure projects costing \$100 million or more, and to oversee and monitor the delivery of such projects.

**In December 2011, the government endorsed the Major Projects Assurance Framework.** This involved INSW being responsible for conducting mandatory Gateway reviews on all seven stages of a project life cycle and regular reporting to Cabinet on project status.

**In May 2013, the government confirmed support for one consistent Gateway review system for capital projects and for proposed arrangements between INSW and Treasury for the conduct of Gateway reviews on capital projects.** This consisted of INSW being responsible for Gateway reviews on projects costing \$100 million or more using Transport for NSW's internal seven gate Investment Gating and Assurance Framework on transport related projects, with Transport for NSW facilitating such Gateway reviews, and Treasury facilitating Gateway reviews on non-transport related projects costing \$100 million or more using the existing NSW Gateway system, upgraded to seven stages. INSW can determine the role to take in such reviews, such as selecting the review team, acting as reviewer, or participating as an observer. Treasury retained responsibility for facilitating Gateway reviews for all capital projects, including transport related projects costing less than \$100 million.

**Treasury Circular TC 13/08 and Policy and Guidelines Paper TPP 13–03 dated 15 October 2013** updated the nature of annual TAM submissions to be made to Treasury by agencies to support the Budget process previously outlined in Treasury Circular TC 08/06. Essentially, TAM plans are required to be submitted by all General Government sector agencies and 'nominated' Public Trading Enterprises around October/November each year, together with business cases and Gateway review reports as outlined in Treasury Circulars TC 10/13 and TC 12/19. However, this circular and paper do not fully reflect the new assurance arrangements involving INSW for capital projects costing \$100 million or more endorsed by the government in December 2011 and May 2013, in that Gateway reviews are still only mandatory at preliminary and final business case stages.



Appendix 4: Investor Assurance Framework

## Appendix 5: Capital project assurance frameworks in other jurisdictions

### Victoria

The Department of Treasury and Finance (DTF) manages a Gateway review process which can have Gateway reviews at six stages (concept and feasibility, business case, readiness for market, tender decision, readiness for service and benefits realisation). Agencies can request Gateway reviews at any of these stages, and DTF will facilitate the review. The review process is much like that in New South Wales, with reviews being of short duration (four days) and reviewers being a team of external practitioners. Sponsor agencies are responsible for initiating Gateway reviews. DTF also is responsible for the Investment Lifecycle Framework (equivalent to a project assurance framework).

- For projects costing under \$100 million and not high risk (using a risk profile tool):
  - sponsor agencies perform a strategic assessment study using guidelines developed by DTF and submit it to government for approval to proceed to the next stage. A Gateway review (stage 1) is optional
  - if endorsed by the government, the agency prepares a detailed business case using DTF guidelines and submits it to government for funding approval. A Gateway review (stage 2) is optional
  - if approved by the government, the agency develops documentation, engages with the market and awards contract(s) to procure the project
  - agencies submit quarterly reports to DTF on project status (budget, time, scope and risk). Gateway reviews at subsequent stages (stages 3, 4, 5, and 6) are optional.
- For projects costing \$100 million or more or high risk (using a risk profile tool) (High Value High Risk projects):
  - sponsor agencies prepare a preliminary business case using DTF guidelines, initiate a mandatory Gateway review (stage 1) and submit the business case and Gateway review report to DTF for its review and recommendation to government
  - if endorsed by the government, the agency prepares a detailed business case using DTF guidelines, initiates a mandatory Gateway review (stage 2) and prepares an action plan to respond to review recommendations. The agency submits this, together with the business case and Gateway review report to DTF for its review and recommendation to the Treasurer, who validates the quality of the business case to government for its consideration
  - if the project is approved by government, the agency prepares tender documents and submits these, together with a mandatory Gateway review report (stage 3), for DTF review and providing advice for the Treasurer's consideration
  - if the Treasurer approves tender documentation, the agency calls and evaluates tenders, providing a report together with a mandatory Gateway review report (stage 4) for DTF review and providing advice for the Treasurer's consideration
  - if the Treasurer gives approval, agencies submit quarterly reports to DTF on project status (budget, time, scope and risk). DTF reviews and advises government on project status and proposed interventions for government consideration
  - on project completion, the agency initiates a mandatory readiness for service (stage 5) Gateway review
  - 6 to 18 months after project completion, the agency initiates a mandatory benefits realisation (stage 6) Gateway review and submits this to DTF. DTF advises the government on outcomes.

## Queensland

Queensland Treasury and Trade (QTT) hosts a Gateway unit that manages Gateway reviews for agencies on request. There are no mandatory Gateway reviews in the project assurance process in Queensland. The Gateway process for projects consists of six stages (strategic assessment, preliminary evaluation, readiness for market, investment decision, readiness for service and benefits realisation).

The newly established (2012) Projects Queensland (a unit within QTT) operates the Project Assurance Framework.

- For projects costing under \$100 million:
  - sponsor agency prepares a preliminary evaluation (equivalent to a preliminary business case) using guidelines maintained by Projects Queensland (PQ) and submits it to government for approval to proceed to the next stage
  - if approved by the government, the agency prepares a detailed business case using PQ guidelines and submits it to the government for funding approval
  - if approved by the government, the agency prepares a supply strategy using PQ guidelines and submits it to the government for approval to proceed to the next stage
  - if approved by the government, the agency establishes the supplier source using PQ guidelines and seeks government approval to procure the project, including entering contracts
  - if approved by the government, the agency establishes its service capability to deliver the project using PQ guidelines and seeks government approval to proceed to the next stage
  - if approved by the government, the agency delivers the project, including a plan to conduct a post projects benefits review using PQ guidelines and seeks government approval to close the project.
- For projects costing \$100 million or more:
  - sponsor agency prepares a preliminary evaluation (equivalent to a preliminary business case) using PQ guidelines and submits it to government for approval to proceed to the next stage
  - if approved by the government PQ prepares a detailed business case using PQ guidelines and submits it to the government for funding approval
  - if approved by the government, PQ prepares a supply strategy using PQ guidelines and submits it to the government for approval to proceed to the next stage
  - if approved by the government, PQ establishes the supplier source using PQ guidelines and seeks government approval to procure the project, including entering contracts
  - if approved by the government, the agency establishes its service capability to deliver the project using PQ guidelines and seeks government approval to proceed to the next stage
  - if approved by the government, the agency delivers the project, including a plan to conduct a post projects benefits review using PQ guidelines and seeks government approval to close the project.

## Western Australia

The WA Department of Finance operates a Gateway unit that manages Gateway reviews for agencies on request. There are no mandatory Gateway reviews in the project assurance process in Western Australia. The Gateway process for projects consists of six stages (strategic assessment, business case, readiness for market, tender decision, readiness for service and benefits evaluation).

The WA Department of Treasury has developed the Strategic Asset Management Framework for capital projects, (outlined below). The government has established the Strategic Projects and Asset Sales unit in Treasury to oversight the planning and delivery of major projects that are considered by the government to be of significant importance to the State (Strategic Projects).

- For projects which are **not** Strategic Projects:
  - sponsor agencies prepare an Application for Concept Approval (ACA), using guidelines maintained by Treasury to seek approval from their minister to prepare a business case
  - if endorsed by the minister, the ACA is provided to the Treasurer, and if advised that the project will not be considered a Strategic Project, the agency prepares a business case using Treasury Guidelines. The sponsor agency, following consultation with Treasury, submits the business case to the government for investment approval
  - if investment in the project is approved by the government, the agency prepares a Project Definition Plan (PDP) using Treasury guidelines. If the PDP significantly varies with the business case in terms of scope, cost, timing or risk, the agency, in collaboration with Treasury explores any available trade-offs to stay within key business case parameters. If trade-offs cannot be made and project parameters (cost, scope, timing or risk) in business case need amendment, government approval must be obtained before proceeding
  - if approved by the government, the agency implements the actions outlined in the business case (amended if necessary to account for any variations at PDP stage)
  - during project delivery, the agency informs the minister and government on important milestones, including performance against budget and time, as well of any emerging problems which may undermine the business case
  - at project completion, relevant senior agency personnel are given periodic reports on the benefits being achieved by the project. Treasury may request copies of such reports.
- For projects which are Strategic Projects:
  - sponsor agencies prepare an ACA, using Treasury guidelines to seek approval from their minister to prepare a business case
  - if endorsed by the minister, the ACA is provided to Treasury, and the Strategic Projects and Asset Sales unit, in collaboration with the agency, develop a plan to evaluate the project proposal and produce a business case using Treasury guidelines
  - the Strategic Projects and Asset Sales unit provides guidance to the agency in addressing performance, social impact and recurrent cost components of the business case
  - the Strategic Projects and Asset Sales unit, in collaboration with the Building Management and Works Department, develops the financial and economic components of the business case
  - the Strategic Projects and Asset Sales unit prepares the final business justification to summarise the findings of the evaluation, co-signs the business case with the agency and submits it to government for its consideration and investment approval

- if the investment is approved by the government, the Strategic Projects and Asset Sales unit prepares a PDP using Treasury guidelines. If the PDP varies significantly from the business case in terms of scope, cost, timing or risk, Strategic Projects and Asset Sales unit, in collaboration with the agency, explores any available trade-offs to stay within key business case parameters. If trade-offs cannot be made and project parameters (cost, scope, timing or risk) in business case need amendment, government approval must be obtained before proceeding
- if approved by the government, Strategic Projects and Asset Sales unit implements the actions outlined in the business case (amended if necessary to account for any variations at PDP stage)
- during project delivery, Strategic Projects and Asset Sales unit informs the agency, the minister and government on important milestones, including performance against budget and time, as well of any emerging problems which may undermine the business case
- at project completion, relevant senior agency personnel are given periodic reports on the benefits being achieved by the project. Treasury may request copies of such reports.

### **New Zealand**

New Zealand has two central agencies closely involved with providing assurance on major projects. They are:

- Treasury develops and maintains guidelines for project scoping and business cases, as well as reviewing business cases submitted by agencies, and
- the State Services Commission (SCC) works with agencies to establish an agreed Independent Quality Assurance (IQA) regime for all major capital projects.

SCC also manages a six stage Gateway review system which agencies are required to apply at all stages for major projects classed as high risk, as determined by the SCC Gateway unit. Gateway review reports are confidential to the project sponsor agency, and not made available to central agencies. Central agency assurance relies on their direct involvement at key project stages, and in reports provided under the IQA process.

- For all major projects assessed as not high risk:
  - the agency liaises with SCC to develop an agreed IQA regime for the project. This includes scope and number of IQAs, terms of reference for each IQA, and agencies submitting copies of all IQA reports to SCC
  - the agency prepares an indicative business case (primarily exploring options), using Treasury guidelines, provides copies to central agencies and submits it to the government for approval. The submission must include comments from central agencies (Treasury and SCC)
  - if approved by the government, the agency prepares a detailed business case (focussing on the recommended option), using Treasury guidelines, provides copies to central agencies and submits it to government for approval. The submission must include comments from central agencies (Treasury and SCC) as well as a 'commissioner's statement' from the agency CEO attesting to the completeness of the business case
  - if approved by the government, the agency establishes a project governance framework, engages a project team, calls tenders and delivers the project.
  - the agency reports to central agencies (Treasury and SCC) on any significant change to scope, governance or functionality relative to the approved business case
  - the agency reports to the government within 12 months of project commissioning on the actual level of benefits achieved compared to those outlined in the approved business case.

- For all major projects assessed as high risk:
  - the agency liaises with SCC to develop an agreed IQA regime for the project. This includes scope and number of IQAs, terms of reference for each IQA, and agencies submitting copies of all IQA reports to SCC
  - the agency contacts the SCC Gateway Unit to establish a program of Gateway reviews at all six stages of the project life cycle
  - the agency prepares an indicative business case (primarily exploring options), using Treasury guidelines (following a Gateway review), provides copies to central agencies and submits it to government for approval. The submission must include comments from central agencies (Treasury and SCC)
  - if approved by the government the agency prepares a detailed business case (focussing on the recommended option), using Treasury Guidelines (following a Gateway review), provides copies to central agencies and submits it to government for approval. The submission must include comments from central agencies (Treasury and SCC), as well as a 'commissioner's statement' from the agency CEO attesting to the completeness of the business case
  - if approved by the government, the agency establishes a project governance framework, engages a project team, calls tenders and delivers the project. In this timeframe, the agency initiates Gateway reviews at relevant stages
  - the agency reports to central agencies (Treasury and SCC) on any significant change to scope, governance, or functionality relative to the approved business case
  - the agency reports to the government within 12 months of project commissioning on the actual level of benefits achieved compared to those outlined in the approved business case (following a Gateway review).

## Appendix 6: INSW expectations on Gateway reviews and agency responses

INSW expects that:

- eligible projects undergo Gateway reviews at each stage of the project life cycle and that the respective Gateway units in Transport for NSW or Treasury, as facilitators of reviews ensure this happens. Projects initiated prior to the May 2013 government endorsement of the arrangements between INSW, Transport for NSW and Treasury are still required to undergo Gateway reviews at all subsequent remaining stages
- Transport for NSW or Treasury to advise INSW when Gateway reviews are scheduled to enable it to determine the role it would take in such reviews
- Gateway review reports and supporting documents, such as business cases and agency responses are automatically provided to INSW by Transport for NSW or Treasury.

The Treasury Gateway Unit expects agencies to initiate requests for Gateway reviews for all seven stages of the project life cycle but sees no role for itself in ensuring this happens. Its view is that sponsor agencies are accountable for complying with government policy. However, our audit identified some confusion among agencies about whether there were seven or two mandatory Gateway reviews for projects costing \$100 million or more.

The Treasury Gateway Unit provides INSW with a monthly list of Gateway reviews it has scheduled, based on agency requests. However, the Treasury Gateway Unit does not provide relevant Treasury analysts with business cases, their Gateway review reports and any sponsor agency responses. This is left to the sponsor agency to disburse as it sees fit, including to Treasury analysts (in accordance with Treasury circular TC13/08 issued October 2013). Treasury Gateway Unit, until recently (as advised by Treasury), did not provide Gateway review reports and supporting documents to INSW on reviews conducted on behalf of INSW.

Treasury Circular TC 13/08 and Policy and Guidelines Paper TPP 13–03, dated 15 October 2013, do not reflect the new assurance arrangements for projects costing \$100 million or more which were endorsed by government in May 2013, as they state that Gateway reviews are still only mandatory at preliminary and final business case stages. These documents also do not reflect INSW expectations.

Transport for NSW in early 2014 commenced mandatory Gateway reviews at each of the seven stages of its internal Investment Gating and Assurance Framework. Up to then, however, it conducted Gateway reviews only at the final business case stage. It does conduct a preliminary business case Gateway review if interim capital funding is being sought to fully plan a proposed project.

Transport for NSW has not advised its cluster agencies of the agreements it has reached with Treasury and INSW regarding transport projects costing \$100 million or more. However it did advise agencies in September 2013 of the mandatory application of its Investment Gating and Assurance Framework.

Transport for NSW consults monthly with INSW on its program of upcoming Gateway reviews and proposed review teams and sends Gateway review reports to INSW. Transport for NSW advises it sends business cases to Treasury as part of its annual TAM submissions process and monthly meetings with Treasury. Gateway review reports are not sent to Treasury. This is despite the requirements of Treasury Circulars TC 08/06 and TC 13/08.

Treasury advice is that Transport for NSW has not been providing business cases for review in relation to the case study projects. Transport for NSW is, however, now required to confirm to Treasury that business cases for transport projects costing over \$5 million have been completed in accordance with its Investment Gating and Assurance Framework, and provide them to Treasury on request. Treasury also advised that it now requests and receives final business cases for the majority of transport projects selected from a list of all business cases completed by transport agencies provided by Transport for NSW. However, Gateway reviews are not automatically sought or provided with submitted business cases.

## Appendix 7: About the audit

### Audit objective

The objective of this audit was, for a selection of large construction projects (costing over \$50 million) from a range of authorities, to assess the effectiveness of the procurement policy framework in providing independent assurance to the government that projects address priority needs, the best options to address these needs are selected, and costs are controlled well and variations justified. The audit also sought to identify reasons for deviation from project budgets.

Our audit focused on the framework's key assurance elements, for example:

- Gateway reviews by independent reviewers at key stages of the project lifecycle. Reviews assess projects against seven criteria: service delivery, affordability/value for money, sustainability, governance, risk management, stakeholder management and change management. Such reviews provide independent assessment of a project's readiness to proceed to the next stage.
- Monitoring of capital projects from their inception to completion by Treasury for projects costing less than \$100 million and by Infrastructure NSW for projects costing \$100 million or more.

### Scope

For the purposes of this audit, large construction projects are those costing over \$50 million, which is the threshold for the most stringent level of assurance and Treasury monitoring under the capital projects assurance system. The Infrastructure NSW assurance and monitoring framework applies only to projects costing \$100 million or more.

Matters we considered include:

- clarity of the government procurement policy framework for capital project assurance
- consistency of the capital project assurance system for large construction projects with assurance systems in other like jurisdictions (Victoria, Queensland, Western Australia, New Zealand)
- effectiveness of sponsor agencies' compliance with their responsibilities to the Gateway review process under the capital project assurance system
- effectiveness of sponsor agencies' compliance with their reporting responsibilities under the capital project assurance system
- effectiveness of Treasury and Infrastructure NSW compliance with their monitoring responsibilities under the capital project assurance system
- whether Treasury has evaluated the performance of the capital project assurance system
- effectiveness of the Gateway review process in mitigating cost and scope changes.

### Audit exclusions

We did not assess:

- the merits of government policy objectives
- the merits of government funding decisions
- the merits of individual case study projects we reviewed
- the accuracy or reliability of project related cost estimates, and analysis such as benefit cost projections, economic appraisals etc.
- the merits of project related decisions by sponsor agencies. However we will examine the extent to which key project decisions gave consideration to issues and recommendations raised by the assurance process.

## **Audit approach**

We collected evidence by:

- interviewing relevant sponsor and central government agency personnel
- having sponsor agencies complete a questionnaire to elicit relevant information on the case study projects being reviewed
- having Treasury complete a questionnaire designed to elicit relevant information on their assurance and monitoring activities on the case study projects
- validating information provided through the questionnaires as necessary
- examining relevant policy guidelines, documents and reports on the NSW Government capital project assurance system
- examining relevant policy guidelines, documents, and reports on capital project assurance frameworks in Victoria, Queensland, Western Australia and New Zealand.

## **Fieldwork**

We conducted meetings with key personnel from the following sponsor agencies:

- Roads and Maritime Services
- Transport for NSW
- NSW Health
- Department of Primary Industries
- Venues NSW
- Sydney Trains.

We also met with key Treasury and Infrastructure NSW personnel.

## **Case study project selection**

To maximise the availability of information on reasons for deviation from original projects budget and scope we selected a number of projects where the current estimated cost to complete is 20 per cent or \$20 million above, or 20 per cent and \$20 million below the original estimate to complete as outlined in Budget Paper 4 for the years 2010–11 to 2013–14. This came to nine projects from six sponsor agencies. These agencies were Roads and Maritime Services, NSW Health, Transport for NSW, Sydney Trains, Venues NSW and Department of Primary Industries. In addition we selected three RMS projects (yet to commence construction) which had undergone the most recent RMS assurance process., We also selected two additional RMS and three Health projects, which essentially have, or are maintaining their original project budgets, to determine whether there were any differences in agency performance when compared to the projects with major cost deviations. In all, 17 projects from six sponsor agencies have been selected for review.

The 17 projects should be considered case studies, and do not constitute a statistical sample. They were not selected randomly. We recognised this limitation in drawing our audit conclusions.

## **Audit selection**

We use a strategic approach to selecting performance audits which balances our performance audit program to reflect issues of interest to parliament and the community. Details of our approach to selecting topics and our forward program are available on our website.

### **Audit methodology**

Our performance audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing, and to reflect current thinking on performance auditing practices. Our processes have also been designed to comply with the auditing requirements specified in the *Public finance and Audit Act 1983*.

### **Acknowledgements**

We gratefully acknowledge the co-operation and assistance provided by Roads and Maritime Services, NSW Health, Transport for NSW, Venues NSW, Sydney Trains, Department of Primary Industries, The Treasury and Infrastructure NSW and their staff who participated in interviews and provided material relevant to the audit.

### **Audit team**

Rod Longford and Ed Shestovsky conducted the performance audit.

### **Audit cost**

Including staff costs, and overheads, the estimated cost of the audit is \$290,000.

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
Great Western Highway Woodford to Hazelbrook (\$160m–\$225m) RMS	Not Applicable. A Project Definition Plan (PDP) (equivalent to strategic review) was prepared in 2002. This predated any external assurance requirements and Gateway reviews. However the scope of works was significantly increased in 2007 in a Project Implementation Plan (PIP) (equivalent to a final business case).	No. While a PIP was prepared prior to initial listing in BP4, only an internal review was undertaken in 2007. Neither the PIP nor internal review was submitted to Treasury.	No. No required reports were prepared and submitted to Treasury.	No. Project opened to traffic July 2014. As project was >\$100m, and became subject to INSW from July 2013, it should have been subject to Transport for NSW Readiness for Service Gateway review.	Initial project outturn Estimated Total Cost (ETC) in Budget Paper 4 (BP4) was \$160m, with final outturn ETC now at \$225m. Project significantly delayed by financial failure of initial contractor (Reed Constructions) and need to engage other contractor to complete the works. This resulted in increase of ETC to \$205m in 2013–14 BP4. Since then, some scope changes to address community concerns as well as defect rectification of failed contractor's work resulted in current ETC of \$225m.
Pacific Highway Coffs Harbour to Woolgoolga (\$705m–\$860m) RMS	Not Applicable. A Project Proposal Report (PPR) (equivalent to a preliminary business case) was completed in 2006, which predated any external Treasury assurance requirements.	Yes. PIP was prepared in 2009, which had an ETC based on outturn costs of \$733m. This was both internally reviewed in June 2009, and Gateway reviewed in November 2009.	No. No required reports were prepared and submitted to Treasury.	No. Project opened to traffic July 2014. As project >\$100m, and became subject to INSW from July 2013, it should have been subject to Transport for NSW Readiness for Service Gateway review.	Project initially had \$705m outturn ETC in BP4, while current outturn ETC is \$860m. Cost change has mostly resulted from settlement of major contractual claims and 'unanticipated need to reconstruct a section of existing highway which was originally proposed for use without major modification.
Transport Access Program Commuter Wharf Upgrades (\$89.5m) RMS	No. This is a recent project established by Transport for NSW in 2011/12 as a subprogram to the Transport Access Program (TAP) valued at \$772m. This project uses \$62m remaining funding from a discontinued disability access program originally conducted by Maritime Services which started in 2009, and additional government funding of \$7.5m. Responsibility for delivering the sub program rests with RMS. Justification for the TAP was a transport for NSW strategic business case, and an internal review. The strategic business case and internal review were not provided to Treasury.	No. A final business case for the Commuter wharf upgrade subprogram or for the TAP as a whole and Gateway review were not carried out by RMS.	No. No required reports were prepared and submitted to Treasury.	Not Applicable. Project cost <\$100m which is below threshold for mandatory post business case Gateway reviews. In September 2013 Transport for NSW instigated a mid-project review directed at generating savings in the program. They were assisted by RMS. Review outcome identified potential savings \$3.5m to \$5m with the savings to go to upgrading an additional wharf.	RMS advice is that initial approved subprogram funds are \$89.5m and project is still on budget.

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
Central Coast Highway Carlton Rd to Matcham Rd (\$100m–\$80.8m) RMS	Not Applicable. A Project Scoping Proposal (PSP) (equivalent to a strategic review) was conducted in 2007. This predated any Treasury external assurance requirements.	No. PIP was prepared in 2009, and internally reviewed in May 2009. The PIP and internal review were not submitted to Treasury.	No. No required reports were prepared and submitted to Treasury.	Not Applicable. Project completed November 2012. This predated mandatory post business case Gateway reviews.	Project initially had \$100 outturn ETC in BP4. Current outturn ETC of \$81m came from savings made in property acquisition costs and credits, and a significantly reduced contract price compared to pre-tender estimate.
Old Wallgrove Rd (\$95m) RMS	No. A PDP was approved in April 2012. This was not Gateway reviewed, nor submitted to Treasury.	Partial. A PIP was approved in December 2013, following a Gateway review conducted under the Transport for NSW Assurance framework. The review panel had significant Roads background and experience and produced 9 recommendations which were closed out in August 2013 in an internal report. However INSW only received the Gateway review report on 20 August 2014, 12 months after the review was conducted, and did not receive a copy of the PIP or the agency response to the review.	Not Applicable. Project subject to INSW assurance requirements.	No. Construction contract awarded August 2014. As project >\$100m (taking developer supplied land into account), and was subject to INSW from July 2013, it should have been subject to Transport for NSW Tender Award Gateway review.	While PIP had an outturn ETC of \$120m, the initial outturn ETC in BP4 is \$95m. This is due to DPE negotiating with developers to provide land for roadway needs at no cost. The construction contract price also was lower than PIP estimate.
Inner West Busway (\$150m–\$175m) RMS	Not Applicable. Predated Treasury external assurance requirements.	No. PIP was approved in June 2009, and internally reviewed in March 2009. The PIP and internal review were not submitted to Treasury.	No. No required reports were prepared and submitted to Treasury.	Not Applicable. Project completed April 2011. This predated mandatory post business case Gateway reviews.	Initially listed in 2008–09 BP4 as Victoria Rd upgrade (including duplication of Iron Cove Bridge) at ETC of \$150m. ETC increased to \$175m in 2009–10 BP4, and project renamed Inner West Busway. Key changes were design improvements such as realigning piers to accommodate rowing course and additional parking.
Schofields Rd Stage 2 Tallowong Rd to Veron Rd (\$135m) RMS	No. PDP was approved in August 2009, but not Gateway reviewed or submitted to Treasury. This PDP was for a larger project which included this section of road.	Partial. A PIP was approved in December 2013, following a Gateway review conducted under the Transport for NSW Assurance framework. The review panel had significant Roads background and experience and produced 9 recommendations which were closed out in June 2014 in an internal report. INSW only received the Gateway review report on 20 August 2014, nine months after the review was conducted, and did not receive a copy of the PIP or the agency response to the review.	No Applicable. Project subject to INSW assurance requirements.	No. Currently under construction. However as >\$100m, it should have been subject to INSW and Transport for NSW Tender Award Gateway review.	The initial outturn ETC in BP4 is \$135m, which is still current.

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
The Northern Rd Camden Valley Way to Peter Brock Drive (\$160m) RMS	Not Applicable. PSP approved January 2008 prior to Treasury assurance requirements. This PSP was for a significantly longer section of road, 8.5 km in length.	Partial. A PIP approved in November 2013, following a Gateway review conducted under the Transport for NSW Assurance framework in September 2013. The review panel had significant Roads background and experience and produced 17 recommendations (many related to transitioning from the RMS PIP format to the Transport for NSW framework) which were subsequently closed out in a July 2014 report. INSW only received the Gateway review report on 20 August 2014, 11 months after the review was conducted, and did not receive a copy of the PIP or the agency response to the review.	No Applicable. Project subject to INSW assurance requirements.	Yes. Yet to go to tender. However as >\$100m, will be subject to INSW and Transport for NSW Gateway regime.	There is no ETC in latest BP4. Current ETC listed in the approved PIP is \$160m in 2014 dollars. Detailed design is currently underway, and construction expected to start in late 2015.
Prince of Wales Hospital Cancer and Blood Disorder Centre (\$47.2m–\$79.8m) Health	No. Preliminary business case and external Gateway review not conducted and not submitted to Treasury as required. However Treasury advice was it was accepting combined Strategic Procurement Plans (SPP) (equivalent to preliminary business cases) and Project Definition Plans (PDP) (equivalent to final business cases) for projects which have been prioritised in Health's TAM and Capital Investment Strategic Plan, and fall within Health's approved capital planning limit and for cases where projects are "fast tracked" to meet election commitments, such as this project.	Yes, with qualifications. A final business case and Gateway review (conducted in October 2010) were submitted to Treasury in November 2010 for initial scope funding approval of \$47.2m in 2011-12. The review team, which had significant Health experience, and included a Treasury representative, rated the business case as Amber with many issues to be addressed. These were the subject of a detailed response issued in November 2010. In September 2012, the Minister for Health asked the Treasurer to approve scope changes consisting of replacing two linear accelerators (\$5.63m) funded by the South Eastern Sydney Local Health District and an additional 2 floors for the Australian Advanced Treatment Centre (AATC) to be funded by UNSW (\$23.8m). This involved UNSW leasing the AATC over 40 years at a market rent deducted from the UNSW payment. There was no revised PDP (business case) carried out or Gateway review conducted and submitted to Treasury regarding these scope changes. Health got advice from a Quantity Surveyor (Cost Manager) on cost component and Savills Property Group on market rental aspects for the AATC addition. A submission was made to the Treasurer who approved adjustments to Health's Asset Authorisation Limits and Net Cost of Service and resultant increase in ETC to \$76.6m. Treasury advised it did review the justification for the proposed addition of the AATC including the draft functional brief, and Capital funding agreement between Health and UNSW and supported it and the addition of the LINACS – linear accelerators in its	Yes. Stage 1 pre tender estimate report issued to Treasury in January 2013, and Stage 2 in July 2014. Treasury advised that a post tender review report was also provided for Stage 1 works. Health and Treasury also advised that Treasury membership of Project Steering Committee as observer status and its regular meetings under the project's governance structure provided Treasury with equivalent assurance to specified requirements.	Not Applicable. Project ETC < \$100m, not subject to INSW assurance regime. Stage 1 works underway. Stage 2 works contract yet to be issued.	ETC went from \$47.2m to \$79.8m, due to the addition of the AATC (\$23.8m) and the LINACS – linear accelerator (\$5.63m) and other undefined additional equipment.

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
		advice to the Treasurer. Since then, some further equipment has been added, increasing the ETC to its current level of \$79.8m.			
Royal North Shore Hospital Clinical Services Building (\$91.8m–\$144.4m) Health	No. Preliminary business case and Gateway review not conducted and not submitted to Treasury as required. However Treasury advice was it was accepting combined Strategic Procurement Plans (SPP) (equivalent to preliminary business cases) and Project Definition Plans (PDP) (equivalent to final business cases) for projects which have been prioritised in Health's TAM and Capital Investment Strategic Plan, and fall within Health's approved capital planning limits .	Partial. A final business case and Gateway review was conducted for initial scope approval of \$91.8m in BP4 2010–11. However the Gateway review was conducted in September 2011, after funding approval. The review noted a government approved proposed increase in scope by the addition of a Mental Health Unit, but this was not accounted for in the business case they reviewed. The review team had substantial Health experience, and rated the Service Delivery, Affordability and Value for Money and Change Management criteria as Amber. An addendum to the final business case, which included the Mental Health Unit, costed at \$55m was prepared and submitted to Treasury in December 2011, but a Gateway review was not carried out.	Not directly. However Health and Treasury advised Treasury membership as observer status on project Executive Steering Committee and its monthly meetings under the project's governance structure provided Treasury with equivalent assurance to specified requirements.	No. Project recently completed (December 2014). However as >\$100m, is subject to INSW and Treasury Readiness for Service Gateway review but not listed on current Health program for Gateway reviews.	ETC went from \$91.8m to current \$144.4m. This was due to addition of Mental Health Unit costed at \$55m.
Wagga Wagga Base Hospital – Stages 1 and 2 Redevelopment (\$270m) Health	Not Applicable. Submission of preliminary business case and Gateway review to Treasury not required as this predated Treasury assurance requirements.	Partial. Project got initial funding for Stage 1 of \$90m in 2010–11. Following confirmation of a Commonwealth contribution, funding was increased to \$270m in 2011–12 Budget papers for all stages. Final business case was prepared in February 2012 and Gateway reviews were carried out in March and November 2012 on all stages. However the project was listed in BP4 in the 2011–12 Budget, before the final business case and Gateway review were completed and provided to Treasury. Treasury advised a preliminary business case for the complete project was provided with the funding proposal, but a Gateway review was not conducted. The November 2012 Gateway review noted that "PDP identifies a series of social, economic, environmental and health benefits but there is no treatment of benefits realisation. This issue was also raised in March 2012 Gateway review". It recommended "the issues relating to the measuring, monitoring and delivery of benefits as identified in the March 2012 review be addressed", but then gave a Green rating for that particular review criteria (Service Delivery).	Yes. Post tender award report provided to Treasury in September 2013. Pre Tender estimate report was produced and received by Treasury in June 2013. Health and Treasury also advised Treasury membership as observer status on project Executive Steering Committee and its monthly meetings under the project's governance structure provided Treasury with equivalent assurance to specified requirements.	No. Contract awarded after September 2013. As project >\$100m and became subject to INSW from July 2013, it should have had a Treasury Tender Award Gateway review but this was not carried out.	Only material scope change was government initially only funding Stage 1 at \$90m ETC, then following year funding all stages at \$270m ETC was approved. At this time project is tracking on budget.

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
		Under Treasury guidelines for final business cases, a developed benefits realisation strategy is mandatory, so the Green rating seems out of step with this requirement. It is noted that there were only two (both external) reviewers for this review, one with an asset management background, and one with health planning expertise.			
Royal North Shore Hospital Research and Education (R&E) Building (\$91.4m–\$96.7m) Health	Not Applicable. Submission of preliminary business case and Gateway review to Treasury not required as this predated Treasury assurance requirements.	Yes. This project was originally a component of the \$702m RNSH Redevelopment project which was first listed in BP4 in 2006–07 and which had its business case (which was Gateway reviewed) approved in 2005–06. A further submission was made to Cabinet in August 2006, which also included a Gateway review of a revised final business case for the redevelopment project in June 2006 and which recommended it be procured as a PPP except for the R&E Building. To mitigate delay risk, the R&E building component was procured by a managing contractor arrangement and separated from the rest of RNSH Redevelopment and it first appeared in the 2007–08 BP4 with an ETC of \$61.4m. The approved revised final business case for the RNSH Redevelopment was used to justify the R&E building and its initial ETC in BP4. This ETC did not include an expected \$30m contribution from Sydney University which however was covered in the revised business case. In 2008–09 BP4, ETC increased to \$98.9m following confirmation of Sydney University funding plus the addition of a basement animal house. In 2009–10 BP4 ETC again increased to \$100.2m. This included a Sydney University contribution of \$3.2m for fit out of top 2 floors.	Not directly. However Health and Treasury advised Treasury membership as observer status on project Executive Steering Committee and its monthly meetings under the project's governance structure provided Treasury with equivalent assurance to specified requirements.	Not Applicable. Project completed in 2009. This predated and is below the threshold for mandatory post business case Gateway reviews.	Final project cost came in at \$96.7m, as against the initial ETC (adjusted for Sydney University contribution) of \$91.4. The increase included scope addition of 'basement animal house' costed around \$7.35m.
Liverpool Hospital Redevelopment Stage 2 (\$390m–\$397m) Health	Not Applicable. Submission of preliminary business case and Gateway review to Treasury not required as this predated Treasury assurance requirements. Health did undertake extensive planning, scope review and value management during initial planning. Premier issued press release 5 June 2006 on project, to cost \$390m.	Yes. Final business case Gateway review held on August 2006. six of seven criteria rated 3 (adequate consideration given), with only Sustainability rated 2 (some weakness and in need of additional effort).	Not directly. However Health and Treasury advised Treasury membership as observer status on project Executive Steering Committee and its monthly meetings under the project's governance structure provided Treasury with equivalent assurance to specified requirements.	Not Applicable. Project completed in 2012. This predated mandatory post business case Gateway reviews.	Final project cost came to \$397m, as against final business case ETC of \$390m. Minor scope changes were advised by Treasury such as 'bridge over rail line' (\$3m) and 'externally funded Cyclotron' (\$1m).

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
Elizabeth Macarthur Institute Biosecurity Upgrade (\$43.3m–\$56.4m) Primary Industries	Not Applicable. Submission of Preliminary business case and Gateway review to Treasury not required as this predated Treasury assurance requirements. Agency advised it did not conduct a strategic review, and it was rolled into the final business case.	Yes. A draft final business case was prepared in November 2007, and Gateway reviewed (Treasury gateway unit) in February 2008. An amended final business case was then prepared and sent to Treasury in March 2008 with the Gateway review.  Following funds approval, Australian Quarantine and Inspection Service (AQIS) requirements increased for biosecurity facilities, and this impacted on the design of the facility, resulting in an increase of ETC from \$43.3m to \$56.7m. A supplementary final business case was produced in January 2009 and Gateway reviewed (Treasury Gateway unit) in February 2009, with the scope change and increased ETC approved by the Treasurer.	Limited. Treasury was advised of a scope change following approval of the additional funding. This did not impact on the revised ETC, and was supported by the Treasurer. Pretender report was provided to Treasury in the form of a Gateway review. No post tender report was provided to Treasury.	Not Applicable. Project < \$100m and completed in 2011. This predated and is below the threshold for mandatory post business case Gateway reviews.	Project was completed \$300,000 below approved revised ETC in BP4 of \$56.7m. The change to the initial approved ETC was due to scope changes resulting from new AQIS requirements for biosecurity facilities.
Oatley Sutherland Signalling and O/H Wiring (\$50.5m–\$79.4m) RailCorp/Sydney Trains	Not Applicable. RailCorp, being a SOC at the time was not bound by any external assurance requirements and reports to Treasury for this stage of the project. Such requirements commenced in January 2009 when RailCorp lost its SOC status. Transition arrangements for full compliance with Treasury assurance requirements were negotiated, with RailCorp to meet Gateway compliance on new projects commencing after July 2009. This particular project, because it was 70% complete at that time was exempted by agreement from any compliance and the RailCorp internal assurance processes were applied instead.	Not Applicable. RailCorp, being a SOC at the time was not bound by any external assurance requirements and reports to Treasury for this stage of the project. Such requirements commenced in January 2009 when RailCorp lost its SOC status. Transition arrangements for full compliance with Treasury assurance requirements were negotiated, with RailCorp to meet Gateway compliance on new projects commencing after July 2009. This particular project, because it was 70% complete at that time was exempted by agreement from any compliance and RailCorp internal assurance processes were applied throughout instead.	Not Applicable. RailCorp, being a SOC when project work started was not bound by any external assurance requirements and reports to Treasury. Such requirements commenced in January 2009. Transition arrangements for full compliance with Treasury assurance requirements were negotiated, with RailCorp meeting Gateway compliance on new projects commencing after July 2009. This particular project, because it was 70% complete at that time was exempted by agreement from any compliance and RailCorp internal assurance processes were applied throughout instead.	Not Applicable. Project was completed in 2012 and is >\$100m. This predated and is below the threshold for mandatory post business case Gateway reviews.	Initial ETC of \$50.5m was established in 2005 for 2 separate projects, O/H wiring (\$20.5m) and signalling (\$30m). There were major delays due to low priority of the projects and a critical shortage of wiring/signalling technical expertise in the industry because of massive rail projects in New South Wales, Australia and internationally. This resulted in major cost increases due to such shortages which bid up the price of such services. Project ETC went from \$50.5m in 2006–07 to \$60.7m in 2008–09 to \$66.2m in 2009–10 to \$86.8m in 2010–11, to \$82.4m in 2011–12 and was completed for \$79.4m.  The project was initially programmed for completion in 2008, but was eventually completed in 2012.

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
<p>South West Rail Link (\$1.365b–\$1.789b) Transport Infrastructure Development Corporation (TIDC)/ Transport for NSW</p>	<p>Not Applicable. Project planning was commenced in 2005 under auspices of DIPNR supported by RailCorp. DIPNR produced a South West Rail Link (SWRL) Overview report (equivalent to preliminary business case) in May 2005. Government approved project proceeding in principle in June 2005. In November 2005 TIDC, a SOC, was tasked with conducting technical studies and prepare documents for concept approval Being a rail project it may be argued it was exempt from the standard Treasury accreditation requirements for planning. Also the key planning documentation was produced pre May 2008, when Gateway reviews became mandatory on preliminary business cases. The process was steered at a high level through a Program Steering Group (PSG) with key agency CEOs including Treasury.</p>	<p>Not Applicable. TIDC (a SOC) was tasked directly by government with delivering the project, including preparing the final business case. As such it could be considered as the project sponsor, rather than RailCorp, the proposed final beneficiary of the completed project. Initial business case in September 2006 to Cabinet was \$942m for Glenfield to Leppington Rail line only, excluding escalation and property costs. Revised P50 cost estimate by TIDC \$1.352b in September 2007 was based on detailed cost plan for Glenfield to Leppington Rail line plus property costs and cost escalation. Also was based on 8 trains/hour frequency. Despite RailCorp SOC status being revoked in October 2007, TIDC remained the project delivery authority. Cabinet approved the project in January 2008 with initial ETC in 2008–09 BP4 of \$1.365m. This included extra 3 level car park at Glenfield. Approval was based on P50 estimate and no Gateway review. In June 2008, RailCorp requested an upgrade to 16 trains/hour frequency, necessitating a redesign. In October 2008 project was deferred, but Cabinet approved addition of stabling yards at Auburn, power upgrades and further parking at Glenfield to project scope. Following mini budget in November 2008, Stage 1 of the project (stabling yards, power supply increase (for increased frequency), Glenfield interchange and parking at Glenfield and Campbelltown and airport line upgrade at \$857m approved and listed in BP4 2009–10. No business case presented nor Gateway review conducted on Stage 1 works. Work on Stage 1 started August 2009. In September 2009, outturn ETC of \$1.245b (excluding property acquisitions) for Stage 2 (the railway line and stations Glenfield to Leppington) was prepared as part of a government submission to Infrastructure Australia. Again no Gateway review conducted. In November 2009 Premier announced Stage 2 would go ahead at \$1.245b.</p>	<p>Not Applicable. With TIDC being a SOC it was not subject to Treasury assurance requirements. Project team presented a procurement strategy report to Treasury in July 2008. However Transport for NSW advised Treasury membership of PCG provided it with access to all key decisions.</p>	<p>Yes. Project completed. INSW and Transport for NSW Readiness for Service Gateway review was conducted in April 2014.</p>	<p>This project went from \$942m at its initial business case in September 2006, which excluded escalation and property costs, to an ETC of \$1.365b (inclusive of escalation and property costs) at point of Cabinet approval in January 2008. Significant additional scope was added as the project further evolved such as extra car parking, Auburn stabling yards, power upgrades for more frequent trains, airport line upgrade etc. Project was broken up into 2 Stages in November 2008, following mini budget. Stage 1 ETC was \$857m, while Stage 2 estimate came in at \$1.245b. In June 2010 budget (BP4 2010–11) Stages 1 and 2 were combined for ETC \$2.106b. In December 2010, \$16m for additional stabling at Leppington added to scope and ETC increased to \$2.122b in 2011–12 BP4. Following good progress on rail construction and review of airport line upgrade in September 2013 some savings and scope reduction was achieved reducing ETC to \$1.989b. Further good progress and release of unspent contingency resulted in completion ETC of \$1.794b, a reduction of \$328m.</p>

Project Change in ETC Sponsor Agency	Were mandatory strategic review or preliminary business case assurance requirements met? If no, what were the noncompliances?	Were mandatory final business case assurance requirements met? If no, what were the noncompliances?	Were Treasury post final business case assurance requirements met? If no, what were the noncompliances?	Were mandatory Gateway review requirements met after funding approval? If yes, what were the stages?	Details of cost and/or scope changes which occurred after funding approval.
		<p>In June 2010 budget (BP4 2010–11) Stages 1 and 2 were combined for ETC \$2.106b. In December 2010, \$16m for additional stabling at Leppington added to scope and ETC increased to \$2.122b. Note that the funding in the Budget Papers went directly to TIDC, not to RailCorp, hence supporting the concept that TIDC was the project sponsor, nor RailCorp.</p> <p>Transport for NSW did not apply any Gateway reviews on business cases, relying on oversight by the PCG with Treasury representation to provide assurance.</p>			
Hunter Stadium Western Grandstand (\$60m – \$80.5m) Venues NSW	Not Applicable. Not required as this activity predated Treasury assurance requirements.	<p>Partial.</p> <p>Grant funding of \$30m was initially approved by Treasurer without submission of a business case in March 2007. This was conditional on matching funding being obtained from the Commonwealth. A subsequent request to release \$12m for Stage 1 works was approved by the Treasurer in October 2007, subject to a business case and Gateway review being conducted. A draft final business case was completed in November 2007, and Gateway review completed and submitted to Treasury in April 2008, after Stage 1 work had commenced (Contract awarded for Stage 1 on 3 December 2007). The Gateway review found that project should not proceed until affordability criteria aspects were addressed. It also found other weaknesses in relation to service delivery, sustainability, risk management and stakeholder management which needed improvement prior to the project proceeding. In April 2008, the Treasurer approved an increase in the grant to \$50m, due to the Commonwealth government only providing \$10m, not the originally expected \$30m. The Treasurer noted that a Gateway review of the business case was underway and expected the Trust to implement its recommendations. An upgraded final business case was prepared in May 2008. The ETC in the revised business case did not change from the original \$60m, which was a single line item.</p>	Not directly, other than Treasury being represented on the Project Control Group (PCG), at which all aspects of the project such as changes to scope and ETC, procurement strategy, tender evaluation plans and reports were canvassed. Other PCG members were Dept. Premier and Cabinet, Dept. of Commerce and Dept. of Sport and Recreation.	Not Applicable. Project completed in 2012 and is <\$100m. This predated and is below the threshold for mandatory post business case Gateway reviews.	<p>Final project cost came to \$80.5m, as against final business case estimate of \$60m.</p> <p>Based on advice provided by Venues NSW, it can reasonably be assumed that there was a significant underestimation of the expected cost of Stage 4 works, being the new grandstand, with the earlier stages coming in around their original estimates.</p>

# Performance auditing

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## What are performance audits?

Performance audits determine whether an agency is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of a government agency or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in the *Public Finance and Audit Act 1983*.

## Why do we conduct performance audits?

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for agency performance.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, the public, agencies and Audit Office research.

## What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the CEO for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. The report tabled in parliament includes a response from the CEO on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

## Do we check to see if recommendations have been implemented?

Following the tabling of the report in parliament, agencies are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

## Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

## Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

## Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au) or contact us on 9275 7100

## Performance audit reports

No	Agency or issues examined	Title of performance audit report or publication	Date tabled in parliament or published
252	The Treasury, Infrastructure NSW, Transport for NSW, NSW Health, Roads and Maritime Services, Sydney Trains, Venues NSW, Department of Primary Industries	<i>Large construction projects: Independent assurance</i>	7 May 2015
251	Department of Trade and Investment, Regional Infrastructure and Services – NSW Office of Water	<i>Country Towns Water Supply and Sewerage Program</i>	4 May 2015
250	NSW Health	<i>Managing the length of stay and unplanned readmissions in NSW public hospitals</i>	23 April 2015
249	Department of Education and Communities	<i>Vocational Education and Training reform</i>	29 January 2015
248	Transport for NSW Roads and Maritime Services Sydney Water Corporation	<i>Security of critical IT infrastructure</i>	21 January 2015
247	Roads and Maritime Services WestConnex Delivery Authority Infrastructure NSW Transport for NSW NSW Treasury Department of Premier and Cabinet	<i>WestConnex: Assurance to the Government</i>	18 December 2014
246	Department of Education and Communities	<i>The Learning Management and Business Reform Program</i>	17 December 2014
245	Environment Protection Authority Department of Trade and Investment, Regional Infrastructure and Services	<i>Managing contaminated sites</i>	10 July 2014
244	Office of Finance and Services Department of Education and Communities Forestry Corporation of NSW Fire and Rescue NSW NSW Businesslink Pty Ltd Essential Energy Sydney Trains	<i>Making the most of Government purchasing power – Telecommunications</i>	26 June 2014
243	NSW Treasury	<i>Use of purchasing cards and electronic payment methods</i>	5 June 2014
242	NSW Police Force	<i>Effectiveness of the new Death and Disability Scheme</i>	22 May 2014
241	Road and Maritime Services	<i>Regional Road funding – Block Grant and REPAIR programs</i>	8 May 2014
240	NSW State Emergency Service	<i>Management of volunteers</i>	15 April 2014
239	Fire and Rescue NSW NSW Rural Fire Service	<i>Fitness of firefighters</i>	1 April 2014
238	Transport for NSW Department of Attorney General and Justice Department of Finance and Service Roads and Maritime Services NSW Police Force Department of Education and Communities	<i>Improving legal and safe driving among Aboriginal people</i>	19 December 2013
237	Department of Education and Communities	<i>Management of casual teachers</i>	3 October 2013

No	Agency or issues examined	Title of performance audit report or publication	Date tabled in parliament or published
236	Department of Premier and Cabinet Ministry of Health – Cancer Institute NSW Transport for NSW – Rail Corporation NSW	<i>Government Advertising 2012-13</i>	23 September 2013
235	NSW Treasury NSW Police Force NSW Ministry of Health Department of Premier and Cabinet Department of Attorney General and Justice	<i>Cost of alcohol abuse to the NSW Government</i>	6 August 2013
234	Housing NSW NSW Land and Housing Corporation	<i>Making the best use of public housing</i>	30 July 2013
233	Ambulance Service of NSW NSW Ministry of Health	<i>Reducing ambulance turnaround time at hospitals</i>	24 July 2013
232	NSW Health	<i>Managing operating theatre efficiency for elective surgery</i>	17 July 2013
231	Ministry of Health NSW Treasury NSW Office of Environment and Heritage	<i>Building energy use in NSW public hospitals</i>	4 June 2013
230	Office of Environment and Heritage - National Parks and Wildlife Service	<i>Management of historic heritage in national parks and reserves</i>	29 May 2013

#### Performance audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au).

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