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Attn Bjarne Nordin, Committee Manager

Dear Mr Nordin,

Re: Examination of Auditor-General's performance audit reports February 2018 - July 2018

Please find below Infrastructure NSW (INSW) responses to supplementary questions, and the response to the question taken on notice by Infrastructure NSW CEO Simon Draper.

Supplementary questions - Regional assistance programs

Recommendation 2

1. Although INSW completed Recommendation 2, it is not clear whether INSW had reviewed the effectiveness of its efforts to improve record keeping.
 - Has INSW performed reviews of the effectiveness of its efforts to improve record keeping?
 - o If not, why?
 - o If so, what were the results of this review?

Infrastructure NSW Response

Records management processes for the Resources for Regions program and the Fixing Country Roads program are reviewed on an ongoing basis to ensure that they remain fit for purpose and to allow any shortcomings to be identified and addressed

O'Connor Marsden (OCM) continues to provide advice on the Restart NSW grant programs and has recently completed Probity Reports on Resources for Regions rounds 3 and 4 and Fixing Country Roads round 2.

- The Probity Reports found that there is reasonable evidence that the following probity protocols were complied with:

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- Responsibilities
 - Decision making and sign off
 - Minutes
 - Fairness and impartiality
 - Document compliance
 - Communication with applicants
 - Independence of decision makers
 - Management of bias
 - Management of conflicts
 - Management of confidentiality
 - Attaining best value for money
- The Probity Reports found that some assessment information was accessible in Microsoft Outlook but not necessarily stored in a complaint records management system (e.g. Objective).
 - OCM also observed that some supporting documentation for Resources for Regions Round 4 assessments was not as complete in the Objective records when compared to records for Resources for Regions Round 3.
 - INSW will take steps to ensure that all records are stored in compliant systems and will undertake an internal file review to ensure that the level of supporting documentation for Resources for Regions Round 4 is consistent with Resources for Regions Round 3.

OCM is also undertaking Probity Reports on FCR from round 3 onwards to confirm that appropriate practices are being implemented.

KPMG completed a review of the management of Resources for Regions Rounds 5 and 6, the Regional Growth – Environment and Tourism Fund, Growing Local Economies and the Regional Communities Development Fund in December 2019.

- KPMG also found that good documentation practices to support the decisions of governance bodies were generally in place. Regional NSW is working to continually improve record keeping practices to support transparency and accountability of the funds.

Recommendations 5 and 6

2. INSW initially agreed to the recommendation to collaborate with sponsor agencies to ensure that program benefits are reported at the 50% mark and after completion, and to ensure a review of reported benefits. However, INSW's response to the Committee now indicates that it does not intend to undertake this collaboration, which would ensure project benefits are measured by agencies administering these funding programs.

- Can you explain why INSW is not intending to undertake the proposed collaboration?

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- How will INSW ensure that project benefits are being measured by agencies administering these funds if this collaboration is not taking place

Infrastructure NSW Response

Infrastructure NSW continues to collaborate with the Department of Planning, Industry and Environment (DPIE) and Transport for NSW (TfNSW) on the management of the Resources for Regions and Fixing Country Roads programs, however benefits evaluation needs to be undertaken at a program level rather than project level, particularly where projects are relatively small and the cost of measuring benefits would be disproportionate to the size of a project.

For Resources for Regions rounds 1-4 and FCR rounds 1-2 there was no framework in place that allows program level benefits realisation.

Infrastructure NSW has undertaken a desktop review of the benefits delivered by R4R round 1 projects (noting that there was no benefits realisation framework). The review found that:

- All projects were completed as per the agreed scope and within approved Restart funding
- Projects appear to have delivered significant benefits to the local community, but INSW was not able to quantify or attribute outcomes.

There has been progress with frameworks for future evaluation which will support a more meaningful review of subsequent program rounds:

- DPIE and TfNSW have built in robust program evaluation frameworks for Resources for Regions rounds 5&6 and Fixing Country Roads round 3 onwards.
- DPIE has also done this for the other Restart programs that it administers: Regional Growth – Environment and Tourism Fund and Growing Local Economies

Question on notice

From the hearing:

Mr RYAN PARK:

So to date has the Treasurer decided not to go ahead with any funding that has been recommended.

Mr DRAPER:

I would have to check.

Mr RYAN PARK:

You can take it on notice. That is fine.

Mr DRAPER:

I am happy to take it on notice. At each of those stages, I cannot think of any where we have received a recommendation from the assessment panel where we have not proceeded. They sometimes do not agree with the

recommendations that come from the technical panel. But I will take it on notice about whether the Treasurer has not proceeded with any.

QoN response from INSW CEO Simon Draper:

As noted in the Audit Office report, Infrastructure NSW's funding recommendations to the Treasurer regarding the Restart NSW Fund are submitted by the Treasurer to the Expenditure Review Committee (ERC) for endorsement by the Cabinet. The recommendations are Cabinet in Confidence. It would be inappropriate for Infrastructure NSW to release advice on recommendations or to provide information about how the Treasurer has considered these recommendations.

Yours sincerely

(By email so not physically signed)

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30/03/2020