

**Submission
No 5**

**FOLLOW UP OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDITS APRIL 2011 - SEPTEMBER
2011**

Organisation: NSW Treasury
Name: Mr Philip Gaetjens
Position: Secretary
Date Received: 20/11/2012



The
Treasury

Contact: L Cueno
Telephone: (02) 9228 5519
Our Reference: EA301430
Your Reference: LAC12/457

15 NOV 2012

Mr Jonathan O'Dea MP
Chair
Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Dear Mr O'Dea

Re: Auditor-General's report – Government Expenditure and Transport Planning in relation to implementing Barangaroo

I refer to your letter dated 28 September 2012 requesting a response from NSW Treasury to the Auditor-General's report on *Government Expenditure and Transport Planning in relation to implementing Barangaroo* tabled on 15 June 2011.

I am pleased to provide the Committee with the attached NSW Treasury response to specific recommendations of the audit report.

Please contact Lisa Cueno, Principal Financial Analyst on telephone 9228 5519 if you wish to discuss this further.

Yours sincerely

Philip Gaetjens
Secretary

LEGISLATIVE ASSEMBLY - PUBLIC ACCOUNTS COMMITTEE
Performance Audit – Government Expenditure and Transport Planning in relation to implementing Barangaroo
Implementation of Recommendations

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS AND COMMENT	RESPONSIBILITY
1. Enhance monitoring and reporting of the financial forecast and actively manage costs <i>As the project enters its construction stage, the Authority should improve its systems to enhance the rigour and monitoring of the project's financial forecast to ensure value for money and a potential surplus for government. This should include a rolling update of the financial forecast.</i>	Accepted	BDA to continue to improve its systems and enhance monitoring and reporting of financial forecast and actively manage costs and revenues, including regular updates of the project cashflow.	Ongoing	On track. BDA provides regular monthly finance reports and any updated project cashflow to Treasury. BDA and Treasury meet monthly to discuss the Authority's financial position and any potential risks to ensure that any risks are mitigated before further development proceeds.	Barangaroo Delivery Authority (BDA)
2. Disclosure of financial forecast figures <i>The Authority should continue to ensure ongoing disclosure of financial information currently withheld for commercial reasons. This will enable the Authority to continue to comply with the provisions of the Government Information (Public Access) Act 2009</i>	Accepted	BDA is committed to providing the community with maximum disclosure whilst maintaining its obligations to protect the most commercially sensitive and confidential information.	Ongoing	On track. The availability of sensitive information could affect the procurement process and commercial negotiations for BDA. Detailed, sensitive information particularly for specific projects should not be made publicly available until the procurement process is completed.	Barangaroo Delivery Authority
3. Greater consistency for project contingencies <i>NSW Treasury should consider the wider application across the public sector of the P90 approach to calculating project costs. The P90 allowance is included in the project base cost and provides a 90 per cent chance that the projects's costs will not be exceeded. In the case of riskier projects, a contingency can be</i>	Accepted	NSW Treasury supports the wider application of a P90 approach across the public sector for budgeting of major, high risk construction projects. BDA to continue to adopt the NSW Treasury methodology using P90 contingency for major project business case and adopt	P90 Adopted	On track. Where applicable, Treasury supports adopting the P90 approach across the public sector for budgeting of major, high risk construction projects. BDA has adopted the P90 approach for major projects such as the Headland Park and the Passenger Cruise Terminal because of the	NSW Treasury

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS AND COMMENT	RESPONSIBILITY
<p><i>added for uncertainties in the design, planning and delivery stages, which is revised during the procurement process.</i></p>		<p>regular risk assessment of each project and significant risks should be priced into the financial model/business case.</p> <p>BDA to comply with NSW Government procurement guidelines for each project and seek Cabinet approval for significant variances in project budgets.</p>		<p>complexity and risks involved.</p> <p>Any significant variances in project budgets are dealt within the Budget Process and/or through the Expenditure Review Committee of Cabinet.</p>	
<p>4. Focus on implementing planning transport initiatives <i>Coordinated action is required to ensure that transport plans are put in place in time to meet the needs of Barangaroo commuters. The Department of Transport needs to provide full and frank advice to Government on the implication of any delay or change of plan.</i></p>	Accepted	<p>The Authority has and will continue to work closely with Transport NSW to ensure timely provision of transport initiatives.</p>	Ongoing	<p>Treasury agrees that the Authority should work closely with Transport NSW to ensure transport initiatives are clearly identified and implemented.</p>	Barangaroo Delivery Authority and Transport NSW
<p>5. Full advice on the impact of changing transport priorities <i>Department of Transport's advice on how changing transport priorities may affect Barangaroo should include an assessment of options in terms of the risks and consequences, including the potential financial and economic impacts of decisions.</i></p>	Accepted	<p>Transport NSW to provide advice to the Authority on how changing transport priorities may affect Barangaroo.</p>	Ongoing	<p>Treasury agrees that the Authority should work closely with Transport NSW to ensure transport initiatives are clearly identified and implemented.</p>	Barangaroo Delivery Authority and Transport NSW