

**INQUIRY INTO FOLLOW UP OF AUDITOR-GENERAL'S  
PERFORMANCE AUDIT REPORTS OCTOBER 2009 TO  
SEPTEMBER 2010**

**Organisation:** NSW Audit Office  
**Name:** Mr Peter Achterstraat  
**Position:** Auditor-General  
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**Date Received:** 14/09/2011

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**Theme:**

**Summary**



THE AUDIT OFFICE  
OF NEW SOUTH WALES

CONTACT NAME

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OUR REFERENCE

YOUR REFERENCE

Mr J O'Dea  
Chair  
Public Accounts Committee  
Parliament House,  
Macquarie Street  
SYDNEY NSW 2000



12 September 2011

Dear Mr O'Dea

**Examination of Auditor-General's Performance Audit Report  
Handback of the M4 tollway - Roads and Traffic Authority**

We have reviewed the submission provided by the Roads and Traffic Authority concerning the recommendations in the above performance audit report.

Following tabling of the report, we were pleased that the Authority accepted all of our recommendations.

The RTA's submission indicates it has completed all actions in response to the recommendations.

Please find attached our comments on the progress reported in relation to each recommendation in our original report. We have not substantiated the Department's submission.

I am happy to provide any further assistance the Committee may need in completing its examination.

Yours sincerely

Peter Achterstraat  
Auditor-General

Attachment

	Recommendation	Accepted	Action to be taken	Due	Status	Audit Office Comments
<b>To ensure that future PPPs deal adequately with handover, the Audit Office of NSW recommends that the RTA:</b>						
1.	Ensure deeds spell out an appropriate inspection and testing program to determine repairs required to bring roads up to a satisfactory condition at handback	Accepted	All post-M4 project deeds to include requirements that address the desired outcomes of Recommendation 1.	NA	Complete. This recommendation was addressed during the drafting of all post-M4 project deeds.	Satisfactory.
2.	Ensure deeds link condition standards and maintenance approaches to changing industry standards and approaches over the life of the PPP	Accepted	All post-M4 project deeds include requirements that address the desired outcomes of Recommendation 2.	NA	Complete. This recommendation was addressed during the drafting of all post-M4 project deeds.	Satisfactory.
3.	Consider including in deeds a requirement that operators provide a performance bond or similar security over the cost of handback repairs.	Accepted	The RTA will consider this recommendation in its assessment of requirements and policy for future PPP projects.	Ongoing	Complete. To be considered when the project deed for the next PPP road project is developed. The RTA is procuring an Operations and Maintenance services contractor for the M5 East Freeway to take over when the current contract finishes on 9 December 2011. The new contract is in the form of a project deed. Benefitting from the lessons of the M4 handback, it is structured to ensure that the asset condition is assured throughout the life of the contract. This approach was adopted to mitigate the financial and asset condition risks at handover.	Satisfactory.
<b>To ensure that existing PPPs deal adequately with handover, the Audit Office of NSW recommends that the RTA:</b>						
4.	Review the lessons learned from the M4 Tollway handback and determine	Accepted	The RTA will conduct a review of the handover process to	30/6/2010 Review	Complete. Review of the handover process to capture	Satisfactory.

	Recommendation	Accepted	Action to be taken	Due	Status	Audit Office Comments
	whether it should seek to negotiate changes to existing tollway deeds to better deal with handback, by June 2010.		capture learnings from the experience. This will be completed by 30 June 2010. The RTA will review existing project deeds to identify any opportunities for improving the handover process. This is anticipated to be a significant task. Planned for the 2010/11 financial year.		learnings is complete. As opportunities arise principles will be incorporated in current and future projects	
<b>To limit the impact of removing the M4 toll, the Audit Office of NSW recommends that the RTA:</b>						
5.	Complete planned M4 road works on time and no later than 31 March 2010	Accepted	All pre-handover road works are complete or on target for completion by handover date.	31/3/2010	Complete. Handover road works are completed	Satisfactory.
6.	Implement planned traffic management system changes on time, and no later than 31 March 2010.	Accepted	All pre-handover traffic works are complete or on target for completion by handover date.	31/3/2010	Complete. Handover traffic works are completed	Satisfactory.
7.	Communicate to motorists the likely effect of toll removal on congestion and travel time by the end of 2009.	Accepted	The media campaign is underway, and ramped up during the first week of February 2010. Based on previous experience, the RTA has found that such campaigns are more effective when conducted closer to implementation date.	1/2/2010	Complete. The media campaign is complete.	Satisfactory.
8.	Determine the effect of toll removal on motorists travelling between the city and Parramatta during peak periods,	Accepted	It is anticipated that there will be increased traffic on the motorway and approaches and	16/2/2010	Complete. Traffic information complete	Satisfactory.

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	and advise motorists before handback.		no decrease in congestion. This has been communicated via a media campaign. Additional information to assist public travel decision-making will be available on 16 February and shortly afterwards.			