

**Submission
No 3**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS DECEMBER 2014
- JUNE 2015**

Organisation: Department of Premier and Cabinet
Name: Mr Blair Comley
Position: Secretary
Date Received: 16 March 2016



Premier & Cabinet

Reference: A1516250

Mr Bruce Notley-Smith MP
Chair
Legislative Assembly Public Accounts Committee
Parliament of NSW
Macquarie Street
SYDNEY NSW 2000

Dear Mr Notley-Smith,

Thank you for your letter on 18 February 2016 regarding the NSW Government's response to the Auditor-General's Report on *WestConnex Assurance to the Government* (the Auditor-General's Report), tabled on 18 December 2014.

My Department has prepared coordinated Government advice on our implementation of the Report's recommendations (see Attachment A).

Project assurance goes to the heart of successful project delivery. A more active and centralised assurance program provides greater oversight of the progress of The Government's major projects, helping the Government deliver infrastructure projects on time and on budget.

Since the Auditor-General's Report, the NSW Government has established the Infrastructure Investor Assurance Framework for all capital projects over \$10 million to ensure Government is supported with effective tools to monitor the infrastructure program. This substantially addresses the concerns raised in the Report.

As part of the implementation of the Infrastructure Investor Assurance Framework, the NSW Government has moved the responsibility for all assurance related functions for projects over \$10 million to INSW. This provides a single point of accountability for independent assurance across the NSW Government.

The WestConnex Delivery Authority was dissolved in October 2015 and the Sydney Motorway Corporation is currently responsible for the delivery of WestConnex, with Roads and Maritime Services the commissioning agency. INSW is separately responsible for project assurance responsibilities. This clearly separates the delivery, commissioning and assurance roles.

Thank you for providing the opportunity to update you on improvements to the NSW project assurance framework.

Yours sincerely

Blair Comley PSM
Secretary

16 March 2016

Joint submission to the Legislative Assembly Public Accounts Committee on the NSW Government's Response to the Auditor-General's Report on WestConnex Assurance to the Government

Recommendation	Accepted or Rejected	Actions to be Taken	Due Date	Status and Comment	Responsibility
<p>1. Infrastructure NSW should ensure the Major Projects Assurance Framework is fully and effectively implemented for all major capital projects (\$100 million or more), including:</p> <ul style="list-style-type: none"> - Gateway reviews with Infrastructure NSW involvement using the Government-endorsed methodology - Regular monitoring by and reporting to the Government through Infrastructure NSW. 	<p>Accepted – Infrastructure NSW supported this recommendation.</p>	<p>NSW government sector agencies, in particular the Transport Cluster, will continue to work closely with Infrastructure NSW in fully implementing and adhering to the Infrastructure Investor Assurance Framework.</p>	<p>June 2016</p>	<p>On track.</p> <p>The Major Projects Assurance Framework was in place from early 2012, with Infrastructure NSW reporting the status of all capital projects over \$100 million to Cabinet.</p> <p>Following a review, the NSW Government established the risk-based Infrastructure Investor Assurance Framework, which applies to all capital projects over \$10 million. The Framework includes four tiers based on risk assessment, with Tier 1 being the High Profile High Risk projects.</p> <p>Due to the scale of the NSW Government's capital works program, the Infrastructure Investor Assurance Framework is being implemented in phases based on project risk potential.</p> <p>High Profile High Risk projects (including WestConnex) have been operating under the Infrastructure Investor Assurance Framework since July 2015. All other capital projects are being phased into the Framework which will be fully operational by June 2016.</p> <p>As part of the Infrastructure Investor Assurance Framework, gateway reviews are undertaken by an independent team appointed by Infrastructure NSW. The gateway process provides for a series of independent expert reviews, held at key decision points in the project lifecycle. These reviews are supported by periodic 'health checks' in case issues emerge between decision points when necessary. These reviews are undertaken in accordance with gateway policy as detailed in</p>	<p>Infrastructure NSW</p>

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				<p>Treasury guidelines.</p> <p>Infrastructure NSW regularly monitors and reports to a Cabinet committee on:</p> <ul style="list-style-type: none"> - The status of all High Profile High Risk (Tier 1) projects on a monthly basis, and - The outcomes of assurance reviews for High Profile High Risk projects as they occur. 	
<p>2. NSW government sector agencies should, commencing June 2015, develop Governance and Assurance Plans at the beginning of all major capital projects and submit these for endorsement by INSW. These plans should clarify assurance steps and responsibilities including the management of potential conflicts.</p>	<p>Accepted – Agencies supported this recommendation and will work with Infrastructure NSW in the implementation of this initiative.</p>	<p>NSW government sector agencies, in particular the Transport Cluster, will continue to work closely with Infrastructure NSW in adhering to the Infrastructure Investor Assurance Framework.</p>	<p>Ongoing</p>	<p>Completed.</p> <p>Under the Infrastructure Investor Assurance Framework, risk-based assurance plans are now required to be submitted by agencies for INSW review for all major capital projects above \$10 million.</p> <p>Infrastructure NSW has implemented an online Project Risk Profile tool where agencies register projects to propose a Project Tier level. Based on the Project Tier level selected, agencies will provide a preliminary Project Assurance Plan. This is confirmed by Infrastructure NSW as part of its review of the project risk profile.</p> <p>As part of the risk assessment, Infrastructure NSW will establish a panel of experts to review the risk potential profile and provide advice on the proposed risk rating.</p> <p>This step applies at the beginning of capital project development to determine key project risks early, and put in place assurance mechanisms to manage these risks. Risk ratings and project tiers are also regularly reviewed.</p>	<p>Infrastructure NSW</p>
<p>3. Infrastructure NSW, NSW Treasury and Transport for NSW should introduce a</p>	<p>Accepted – The agencies supported this</p>	<p>NSW government sector agencies, in particular the Transport Cluster, will</p>	<p>Ongoing</p>	<p>Completed.</p> <p>As part of the Infrastructure Investor</p>	<p>Infrastructure NSW, Treasury and Transport</p>

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<p>'review readiness' hold point for Gateway reviews by June 2015, so that Review Panels can put a review on hold until required documentation and personnel are available to them.</p>	<p>recommendation.</p>	<p>continue to work closely with Infrastructure NSW in adhering to the Infrastructure Investor Assurance Framework.</p>		<p>Assurance Framework, Infrastructure NSW reviews gateway documentation to determine whether it is appropriate for the relevant gateway review.</p> <p>Should the gateway documentation be inappropriate for a gateway review, Infrastructure NSW recommends to the sponsor agency that:</p> <ul style="list-style-type: none"> - The gateway review is postponed; or - A Health Check is performed to assist with the readiness for the next gateway review. 	<p>for NSW</p>
<p>4. The WestConnex Delivery Authority should develop, by March 2015, a project plan for approval by Infrastructure NSW which:</p> <ul style="list-style-type: none"> - Sets out the various project components and the associated Major Projects Assurance Framework review and reporting requirements - Provides for the business case to be formally and thoroughly revisited for Stages 2 and 3 of the project as well as any other major changes to the scope. 	<p>Accepted – The WestConnex Delivery Authority supported this recommendation.</p>	<p>No further action required.</p>	<p>N/A</p>	<p>Completed.</p> <p>The Project Plan was developed and submitted to Infrastructure NSW on 27 January 2015. The Project Plan was approved by Infrastructure NSW.</p> <p>Following Cabinet endorsement of the Infrastructure Investor Assurance Framework, Infrastructure NSW has commissioned two WestConnex assurance reviews:</p> <ul style="list-style-type: none"> - Strategic Business Case for the consolidated program; and - Final business case for Stage 3. <p>The assurance program is ongoing.</p> <p>The updated WestConnex Strategic Business Case was published and made available online in November 2015.</p>	<p>RMS</p>
<p>5. The WestConnex Delivery Authority should, by June 2015, either</p> <ul style="list-style-type: none"> - more clearly separate roles and responsibilities for delivery, commissioning and assurance, or - develop and document robust processes and 	<p>Accepted – This recommendation was supported in-principle and potential methods and processes were under consideration.</p>	<p>No further action required.</p>	<p>N/A</p>	<p>Completed.</p> <p>WestConnex Delivery Authority was dissolved on 1 October 2015.</p> <p>The NSW Government reviewed the roles and responsibilities for WestConnex delivery, commissioning and assurance.</p>	<p>RMS</p>

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<p>procedures to manage the conflicts that arise from a lack of such separation.</p>				<p>Future stages of WestConnex are being developed in accordance with the Infrastructure Investor Assurance Framework.</p> <p>Under the current structure, Sydney Motorway Corporation is responsible for the delivery of WestConnex, with RMS as the commissioning agency/client. Infrastructure NSW is separately responsible for project assurance responsibilities.</p>	
<p>6. NSW government sector agencies should ensure the governance arrangements for all future major capital projects include a clear separation of those responsible for delivery, commissioning and assurance.</p>	<p>Accepted – The agencies supported this recommendation noting that they will also need to follow government decisions and directions in relation to these arrangements.</p>	<p>NSW government sector agencies, in particular the Transport Cluster, will continue to work closely with Infrastructure NSW in adhering to the Infrastructure Investor Assurance Framework.</p>	<p>Ongoing</p>	<p>Completed.</p> <p>The NSW Government has moved responsibility for all assurance-related functions for projects over \$10 million to Infrastructure NSW, making it the single point of accountability for independent assurance.</p> <p>Projects NSW has been established as a separate centralised project procurement and delivery unit, within Infrastructure NSW. This allows for the separation of Infrastructure NSW's assurance functions from its procurement and delivery responsibilities.</p> <p>The assurance reviews for projects delivered by Projects NSW are undertaken by NSW Treasury.</p>	<p>Infrastructure NSW</p>