

**Submission
No 11**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS JULY 2015 –
JANUARY 2016**

Organisation: Roads and Maritime Services
Name: Mr Ken Kanofski
Position: Chief Executive Officer
Date Received: 13 October 2016



CE16/1089

Mr Bruce Notley-Smith MP
Chair of the Public Accounts Committee
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Mr Notley-Smith

Thank you for your letter of 6 September 2016 regarding the Auditor-General's Performance Audit Report on Albert 'Tibby' Cotter Walkway.

Roads and Maritime Services has completed the provided template outlining our actions to date on the recommendations of the Final Performance Audit Report on Albert 'Tibby' Cotter Walkway, refer attached.

Roads and Maritime has remained committed to ensuring the recommendations of the final report have been met over the past year. I trust you are pleased with the information contained within this submission.

If you have any further questions please contact Mr Jeff McCarthy, Director Infrastructure Development at Roads and Maritime on (02) 9462 6500.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Kanofski', followed by the date '27/9/16'.

Ken Kanofski
Chief Executive

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IMPLEMENTATION OF RECOMMENDATIONS

Roads and Maritime Services (September 2016)

Albert 'Tibby' Cotter Walkway

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1) TfNSW and RMS should follow Treasury capital program assurance requirements and before any public announcement of a project:	a) prepare a robust preliminary business case adequately justifying the project and analysing the costs and benefits of any unusually tight deadline	Accepted	<p>Roads and Maritime Services' response covers recommendations 1 and 2 combined</p> <p>a) In the last 12 months, Roads and Maritime Services has undertaken a number of steps to improve its portfolio, program and project management governance. In 2015, major projects and the Easing Sydney's Congestion portfolio were transitioned to a program office model. Five program offices were created: Western Sydney, Greater Sydney, Freight and Regional, Pacific Highway and Easing Sydney's Congestion. This model provides the organisational structure to deliver increased capital expenditure and support new reporting requirements from Infrastructure NSW (INSW) and Transport for NSW (TfNSW).</p>	2015	Completed	Roads and Maritime Services

			<p>b) Roads and Maritime is establishing an Infrastructure Portfolio Support Office (IPSO) to support the five program offices. The IPSO will address: Portfolio Controls and Analytics, Portfolio Governance and Systems, and Portfolio Support.</p> <p>The IPSO will manage the Investor Assurance processes prescribed by TfNSW and INSW including Business Case submissions (Strategic and Final) and Gateway Reviews undertaken by independent reviewers.</p> <p>Roads and Maritime has been working very closely with TfNSW and INSW in submitting Strategic and Final Business Cases for independent Gateway Reviews, which are managed and coordinated by TfNSW and INSW.</p> <p>Roads and Maritime is also submit Scoping, Development and Delivery Project Proposal Reports (PPR) to the Federal Department of Infrastructure and Regional Development to release funding for federally funded projects.</p>	2016	Completed	Roads and Maritime Servicers
	b) arrange a Gateway review of the preliminary business case and address issues arising	Accepted	In May 2016 INSW released the Infrastructure Investor Assurance Framework which Roads and Maritime has followed since its release. The Investor and project assurance process covers seven different gates across the lifecycle of projects. These gates are:	2016	Completed	Infrastructure NSW/RMS

	from the review.		<ul style="list-style-type: none"> • Gate 0: Project Justification • Gate 1: Strategic Assessment • Gate 2: Final Business Case • Gate 3: Pre-tender • Gate 4: Tender Evaluation • Gate 5: Pre-commissioning • Gate 6: Post Implementation <p>Roads and Maritime has worked with INSW to develop a four tier project profiling methodology. The profiling methodology categorises projects to establish an appropriate assurance plan. The risk-based tiers are:</p> <ul style="list-style-type: none"> • Tier 1: Higher Profile, High Risk (eg NorthConnex) • Tier 2 • Tier 3 • Tier 4 <p>Roads and Maritime has been working very closely with TfNSW and INSW in submitting Strategic and Final business cases for independent Gateway Reviews which are managed and coordinated by TfNSW and INSW.</p> <p>Gateway reviews offer project teams the opportunity to improve knowledge, management, development and delivery skills from independent experts from both the public and private sectors.</p> <p>Roads and Maritime has also established a number of internal committees to assess capital investment proposals and projects as they progress through the lifecycle:</p> <ul style="list-style-type: none"> • Roads Planning Committee (RPC): 			
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			<p>to review and provide recommendations to the Roads and Maritime Chief Executive on which programs and projects best meet customer journey requirements.</p> <ul style="list-style-type: none"> • Infrastructure Portfolio Investment Committee (IPIC): Ensures that projects are well considered, robust, provide value for money and ready for gateway review. • Infrastructure Portfolio Procurement Committee (IPPC): Considers, endorses or recommends changes to the procurement and contracting strategy of major or complex infrastructure projects. 			
2) TfNSW and RMS should follow Treasury capital program assurance requirements and:	a) prepare a robust final business case demonstrating the worth of the project and analysing the costs and benefits of any unusually tight deadline	Accepted	<p>Please refer to Roads and Maritimes' response to Recommendation 1</p> <p>Furthermore: Roads and Maritime has been progressively improving its competency in the preparation of business cases supported by the following initiatives:</p> <ul style="list-style-type: none"> • Establishment of a Roads and Maritime business case template and associated documents that conform to funding provider (both State and Federal) requirements. • Training of project personnel in management of business case preparation . • Training of project personnel in traffic modelling and transport economics through UNSW. 	2015/2016	Completed	RMS/TfNSW/INSW

			<ul style="list-style-type: none"> • Creation of good working relationships with various service providers with the skills to produce a quality business case. • Identification of staff with the skills to prepare business cases in house. • Recruitment of skilled transport economists and analysts. • Development of advice notes for project teams undertaking traffic and economic assessments. • Establishment of a dedicated project assurance team in 2013. 			
	b) arrange a Gateway review of the final business case and address issues arising from the review.	Accepted	<p>Roads and Maritime has commenced a number of initiatives to ultimately improve the timeliness and quality of Business Cases and Gateway Reviews. These include:</p> <p>The roll out of a new Project Management Framework that includes new internal governance procedures and improved project scheduling, cost management, risk management and reporting. This framework allows project personnel to better manage schedules.</p> <p>Establishment of the Infrastructure Portfolio Support Office (IPSO), adequately resourced to support project personnel in the preparation of business cases and completion of gateway reviews.</p> <p>Submission of all Roads and Maritime capital projects over \$10 million into the INSW Assurance Portal, providing detailed information on project cost, objectives, scope and schedule.</p>	2016	Completed	RMS/TfNSW/INSW

3) RMS should, for future alliances:	a) liaise with Treasury to determine if the Treasurer's approval for the alliance is required	Accepted	In the last 12 months, one Alliance project has been considered by Infrastructure Development Division (IDD). IDD engaged with Treasury in relation to this alliance; however no decision has been made in relation to this alliance until full funding for the project is confirmed.	2016	RMS accepts Recommendations 3) a) and 3) b). This is an on going issue which will be addressed on case by case basis.	
	b) ensure it effectively implements assurance processes as per its alliancing guidelines	Accepted	Roads and Maritimes' existing 'Guide to Alliances' will be reviewed and, if required, amended to reflect any changes in Treasury's Guidelines.	December 2017	On track	RMS
	c) comply with relevant Treasury capital project reporting requirements.	Accepted	RMS reports to NSW Treasury via TfNSW every 4 months. There are also various monthly reports via TfNSW to INSW, Cabinet Infrastructure Committee and the Department of Premier and Cabinet.	2016	Completed and ongoing RMS accepts Recommendation 3) c). RMS is committed to complying with reporting requirements. RMS reports to NSW Treasury via TfNSW, through the Major Capital Project Report System (MCPRS). NSW Treasury and the Department of Premier and Cabinet nominate projects to be reported under the MCPRS. The Albert Tibby Cotter Walkway was not a nominated project. RMS is working with NSW Treasury, INSW and TfNSW to develop a	RMS

					<p>streamlined process to report on requirements outlined on Page 21 of the Audit. RMS expects the new INSW gateway process will capture these requirements. RMS' high profile and high risk projects are now well defined and agreed by cabinet. These are NorthConnex, Easing Sydney's Congestion package, and the Pacific Highway Woolgoolga to Ballina upgrade.</p> <p>The Treasury circular was written in 2004, and RMS expects Treasury will soon update it reflect the new INSW process.</p>	
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