

**Submission
No 9**

**EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE
AUDIT REPORTS OCTOBER 2016 – MAY 2017**

Organisation: Transport for NSW

Date Received: 6 March 2018



Mr Bruce Notley-Smith MP
Chair
NSW Legislative Assembly
Public Accounts Committee

By Email: pac@parliament.nsw.gov.au

**Auditor-General's Performance Audit Report –
CBD and South East Light Rail Project**

Dear Mr Bruce Notley-Smith MP

I refer to your letter of 14 November 2017 and provide my comments to the Public Accounts Committee outlining the department's response to the Auditor-General's Report *CBD and South East Light Rail Project (the Project)*, for the purpose of the Public Account Committee's examination conducted under *section 57 of the Public Finance and Audit Act 1983*.

During the period from 2011 leading up to the Project's contract award in late 2014, Transport for NSW had approved processes in place to undertake assurance reviews. In December 2014, Infrastructure NSW (INSW) took over project assurance for all major projects, including for transport projects. Transport for NSW complies with INSW's Infrastructure Investor Assurance framework for all major projects that are either in the development or delivery phase.

As noted in the Auditor-General's Report, the Project's Advisory Board already reviews whether controls over the budget and use of contingency funds for the light rail project are consistent with NSW Government decisions and NSW Treasury guidelines. Financial statements and Quantitative Risk Analysis are made available to the Advisory Board monthly.

Risk mitigation measures are in place within Transport for NSW and since commencing in 2017 briefings have been provided (9 March 2017 and 6 September 2017) to the Internal Audit & Risk Committee. These will continue to be provided every six months. The briefings are subject to review by internal and external auditors to confirm its accuracy, as are a number of audits the Sydney Light Rail Delivery Office is subject to. It is also worth noting that all third party agreements were finalised by the end of 2016.

Keeping the public informed about costs and benefits of the CBD and South East Light Rail remains a priority for Transport for NSW. This is evident from the Sydney Light Rail website which was upgraded in 2016 and communication to stakeholders and the community in the form of construction notifications, fact sheets, quarterly newsletters and monthly e-news.

The Sydney Light Rail website has always shown the current capital cost for the project. The benefit-cost ratio was published on the Light Rail Benefits Fact Sheet in 2016, in line with the Auditor-General's recommendation.

Considerable effort has also gone into providing information about project benefits through the Sydney Light Rail Facebook page, the followers of which have grown to more than 27,000.

Since the Auditor-General's Report was released, Transport for NSW has continued to work with key third parties to finalise outstanding design issues, including utilities and drainage solutions, some of which could not be completely known and understood until the road surface was removed during major construction.

Scope and critical designs have been agreed and confirmed by the PPP contractor ALTRAC Light Rail and construction across the 12-kilometre route is progressing, with more than half of track now in place, paving underway in George Street and the light rail vehicles to be tested in the coming months.

As advised to the NSW Audit Office in February 2017, Transport for NSW accepts all of the recommendations in the Auditor-General's Report.

Further, a summary of Transport for NSW's response to the Auditor-General's recommendations and details of actions taken to date is enclosed in the format you nominated.

If you have any further questions regarding this matter, Brooke McGuiggan, Director, Audit and Risk in Transport for NSW would be pleased to take your call on (02) 8202 2047.

Yours sincerely



Rodd Staples
Secretary

IMPLEMENTATION OF RECOMMENDATIONS

Transport for NSW CBD and South East Light Rail Project

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>1 For the CSELR project, Transport for NSW should by December 2016:</p> <p>Finalise outstanding design and scope issues.</p> <p>Ask the project Advisory Board to confirm that controls over the budget and use of contingency funds are consistent with NSW Government decisions and NSW Treasury guidelines.</p> <p>Update and consolidate information about project costs and benefits and ensure that it is readily accessible to the public.</p> <p>Ensure the Sydney Light Rail Project Director provides six-monthly briefings to the TfNSW Audit and Risk Committee.</p>	Accepted	a) Determine all modifications and claims received to date.	Dec 2016	Transport for NSW confirms that all relevant scope and designs have been agreed.	Project Director, Sydney Light Rail
		b) Request Advisory Board to confirm controls over budget and contingency funds are consistent with NSW Government decisions and NSW Treasury guidelines.		In addition to the regular ongoing reviews, the Advisory Board formally confirmed that the controls over budget and use of contingency funds are, in their view, consistent with NSW Government decisions and NSW Treasury guidelines.	Chairman, CBD and South East Light Rail Advisory Board
		c) Ensure publicly accessible information is accurate and up-to-date.		The revised project cost and updated cost benefit analysis information is available in materials on the project's website.	Coordinator General, Transport Coordination
		d) Commence six-monthly briefings from the Project Director, Sydney Light Rail to the TfNSW Audit and Risk Committee.		The Project Director has commenced providing six-monthly updates to the Transport for NSW Audit and Risk Committee. The first of which occurred in March 2017, the next occurred in September 2017.	Project Director, Sydney Light Rail

2	For all capital projects, TfNSW should comply with the Infrastructure Investor Assurance Framework	Accepted		Ongoing	Transport for NSW is fully compliant with the Infrastructure Investor Assurance Framework. This has been confirmed by the CEO of Infrastructure NSW.	Deputy Secretary, Finance and Investment
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