

**Submission  
No 5**

**EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT  
REPORTS FEBRUARY 2018 - JULY 2018**

**Organisation:** Department of Premier and Cabinet

**Date Received:** 29 July 2019



Premier  
& Cabinet

Ref: A3052723

Mr Greg Piper  
Chair, Legislative Assembly Public Accounts Committee  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Piper

I refer to your correspondence of 28 June 2019, which sought an update on the Government response to recommendations in the **Auditor-General's performance audit report – Regional assistance programs**, tabled on 17 May 2018.

On behalf of Infrastructure NSW (INSW), I enclose an update on the Government response. The update has been prepared by INSW in consultation with the Department of Planning, Industry and Environment and Transport for NSW.

Yours sincerely

**Tim Reardon**  
**Secretary**

29 July 2019

## IMPLEMENTATION OF RECOMMENDATIONS

Department of Premier and Cabinet

### Regional assistance programs

| 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              | Ensure probity reports address whether all elements of the probity plan have been effectively implemented. | Agreed              | By June 2018 | <p>Infrastructure NSW has funded independent probity advice for all agencies at each step of the assessment process for agencies administering Restart NSW Fund submission based programs.</p> <p>Agencies that administer the Restart NSW regional submission based programs (including Department of Planning, Industry and Environment, Transport for NSW) have direct administrative responsibility and are required to develop probity plans as part of that function.</p> <p>The Department of Planning, Industry and Environment advises that Probity requirements are embedded in its regional program design and key program documents. Probity guidance is maintained throughout the application and assessment process.</p> <p>In May 2019 Infrastructure NSW put a paper to its Board requesting it endorse a paper for consultation with relevant agencies and Ministers that outlined proposed changes to the governance and management of Restart NSW Fund Regional submission based programs. Amongst other things, the paper recommended that programs prepare upfront strategic business cases for each funding round clearly articulating the design and objective of the program, governance arrangements (including probity plans and reports), risk management and expected benefits. The proposal is currently the subject of consultation with agencies, with a view to Infrastructure NSW seeking Cabinet/ Ministerial endorsement, depending on outcome of the consultations.</p> | <p>Department of Planning, Industry and Environment</p> <p>Transport for NSW</p> |

| RECOMMENDATION |                                                                                                                                                                                                          | ACCEPTED OR REJECTED | ACTIONS TO BE TAKEN                                                                                                              | DUE DATE         | STATUS (completed, on track, delayed) and COMMENT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | RESPONSIBILITY<br>(Section of agency responsible for implementation)                                |
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| 2              | Maintain and store all documentation regarding assessment and probity matters according to the State Records Act 1998, the NSW Government Standard on Records Management and the relevant probity plans. | Agreed               | As noted by the Auditor General's report Infrastructure NSW and Transport for NSW had already addressed this recommendation      | By June 2018     | Completed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Infrastructure NSW<br><br>Department of Planning, Industry and Environment<br><br>Transport for NSW |
| 3              | Conduct annual audits of compliance with the funding deed for a random sample of projects funded under Resources for Regions and Fixing Country Roads                                                    | Noted                | Infrastructure NSW agreed to undertake compliance audits on a risk assessed basis and not randomly across the programs of works. | By December 2018 | <p>Infrastructure NSW oversees compliance with the Funding Deed by ensuring that the delivery of the project is aligned to the schedules as defined in the Deed. Progress is reported monthly and validated prior to progress payments being made. Recipients must acknowledge compliance with the Deed every month, and must produce a signed completion report at project completion, prior to receiving final claim and retention release.</p> <p>The Audit clause in the Deed to allows Infrastructure NSW to perform health checks on projects in duress or identified as at risk of duress.</p> <p>Any compliance audits, as recommended, would be additional to the suite of controls currently utilised by Infrastructure NSW to monitor the programs and as such they would be additional cost to the program. To gain the best value from this additional cost, Infrastructure NSW will undertake compliance audits on a risk-assessed basis and not randomly across the programs of works.</p> | Infrastructure NSW                                                                                  |

| RECOMMENDATION | ACCEPTED OR REJECTED                                                                                | ACTIONS TO BE TAKEN | DUE DATE | STATUS (completed, on track, delayed) and COMMENT | RESPONSIBILITY<br>(Section of agency responsible for implementation)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                           |
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| 4              | Publish the circumstances under which unspent funds can be allocated to extensions in project scope | Agreed              |          | By December 2018                                  | <p>Completed</p> <p>Extensions of scope can only be approved as a change request under the funding deed, and are assessed on a case by case basis where recipients have successfully delivered the original project scope within the allocated budget.</p> <p>Schedule 5 of the Restart NSW Deed "Cost Control Plan and Project Cashflow" was amended in February 2019 to include conditions for use of unspent funds for extensions of scope as follows:</p> <p><b>Change Request Requirements:</b><br/>The principles for use of unspent funds for extensions of scope include:</p> <ul style="list-style-type: none"> <li>• The scope must be a logical extension of the original scope in the funding Deed.</li> <li>• The works must be associated or complimentary to the original scope.</li> <li>• Request for scope extensions and use of unspent funds must be submitted to Infrastructure NSW for approval prior to commencement of change via the formal Restart NSW change request process.</li> </ul> <p>Supporting documentation, to be submitted with the change request, and emailed to <a href="mailto:restartpmo@infrastructure.nsw.gov.au">restartpmo@infrastructure.nsw.gov.au</a>.<br/>Documentation provided must include:</p> <ul style="list-style-type: none"> <li>• The proposed scope extension and the complimentary nature to the original scope.</li> <li>• The reason for the scope extension.</li> <li>• Project schedule/timeline for the scope extension.</li> <li>• Cost control plan and project cashflow for the proposed scope extension.</li> </ul> | Infrastructure NSW                                                        |
| 5              | Measure benefits delivered by projects that were completed before December 2017                     | Agreed              |          | By December 2018                                  | It is the responsibility of agencies administering the program to assess benefits. The Department of Planning, Industry and Environment advises that Program evaluation is integrated into each regional program design and includes measuring the benefits delivered under each program, including Resources for Regions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Department of Planning, Industry and Environment<br><br>Transport for NSW |

| RECOMMENDATION |                                                                                            | ACCEPTED OR REJECTED | ACTIONS TO BE TAKEN | DUE DATE         | STATUS (completed, on track, delayed) and COMMENT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | RESPONSIBILITY (Section of agency responsible for implementation)         |
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| 6              | Implement an annual process to measure benefits for projects completed after December 2017 | Noted                |                     | By December 2018 | See above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Transport for NSW<br><br>Department of Planning, Industry and Environment |
| 7              | Incorporate a benefits realisation framework as part of the detailed application.          | Agreed               |                     | By December 2018 | <p>Agencies have to date been responsible for the construction of the Detailed Application process.</p> <p>Transport for NSW has developed a</p> <ol style="list-style-type: none"> <li>1. Benefits Realisation: Fixing Country Roads and Fixing Country Rail document, published January 2019</li> <li>2. Fixing Country Roads and Fixing Country Rail: Governance Framework document, published January 2019</li> </ol> <p>Note Benefits Realisation was already incorporated into the detailed application since Fixing Country Roads Round 3.</p> <p>The Department of Planning, Industry and Environment advises that Program evaluation is integrated into each regional program design and includes measuring the benefits delivered under each program, including Resources for Regions.</p> | Transport for NSW<br><br>Department of Planning, Industry and Environment |