



11 MAY 2006

Tuesday, 9 May 2006

RECEIVED

To: Mr Simon Johnston  
Principle Council Officer  
Joint Select Committee on the Cross City Tunnel  
Parliament of New South Wales  
Parliament House  
Macquarie Street Sydney NSW 2000

Dear Mr Johnston

**Inquiry into the Cross City Tunnel**

Please find enclosed my transcript for the Cross City Tunnel Committee Hearing in Sydney on 31 March 2006. Some minor corrections are noted.

The single question I took on notice has also been investigated. Mr McLeary MP asked:

‘When it comes to governance you said you would feel more comfortable if there was a higher level of oversight. Mr Fitzgerald said that your Victorian Auditor General does a performance audit, not just a financial audit, on every one of your PPPs. Do you have confidence in your Auditor General to do this? (p65)’

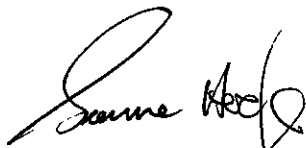
My verbal response to the Committee at the time was that whilst the Victorian Auditor General seems to have some sort of (informal) look at PPP deals as they go through, he does not, as a matter of course, do a performance audit on the deal or the project once it is done.

This initial advice was subsequently confirmed in a conversation I had concerning these matters with Mr Tony Brown of the Victorian Auditor General’s Office. Mr Brown’s formal advice is reproduced below, which I shall also forward to you via email:

'The AG has no formal sign-off or other mandatory role in relation to PPP arrangements prior to or after their establishment. In practice, the government agencies involved in the planning of a PPP may consult with the AG's office on issues around the financial reporting implications associated with the proposed transaction prior to its finalisation. The Office may also be consulted on the proposed tendering approach for the selection of the private sector partner(s). Once a PPP has been established, the AG can exercise his discretionary powers under the Audit Act 1994 to conduct a performance audit on a PPP. The results of such audits would be reported to Parliament. The AG will also typically report to Parliament, as part of his annual report on the finances of the state of Victoria, on any new PPPs entered into by the state and explain the nature of the arrangements. Subsequent AG's reports on the finances of the state of Victoria may include commentary on the progress in implementing PPPs.'

This advice from the Victorian Auditor General's Office conflicts with the impression given by Mr Fitzgerald.

Regards,

A handwritten signature in black ink, appearing to read 'Graeme Hodge', with a stylized flourish at the end.

Professor Graeme Hodge  
Director, Centre for Regulatory Studies