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THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT SUBMISSION

Standing Committee on Public Accounts

AUDITOR-GENERAL'S PERFORMANCE AUDIT
ROAD PROJECTS: FAIRBAIRN AVENUE UPGRADE AND HORSE PARK DRIVE

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Government Submission, Roads Project Audit: Fairbairn Avenue Upgrade and Horse Park Drive

Introduction

While noting the Department of Territory and Municipal Services' (TAMS) response which acknowledged that both projects selected for audit were challenging and ran over the originally estimated budget, the Government is pleased with the Audit's overall findings that indicate that:

- planning for individual ACT road projects is undertaken within a sound policy framework that features established procedures, and has adequate regard to economic, environmental, and community concerns; and

- both the Fairbairn Avenue Upgrade and the Horse Park Drive Extension meet construction specifications.

Many of the Audit's specific findings reflect the complex nature of capital works projects, particularly roads projects, and the inherent uncertainty in planning for budget and scope, particularly at the early inception phase of a project.

As noted in the Report, the prices in the Canberra construction market began to rise sharply from the end of 2002 for a period of several years. This market buoyancy contrasted sharply with the preceding years during which time price rises were relatively modest and industry responses to tenders were generally favourable. It was these more stable conditions that informed much of the early estimation of costs for both projects.

As road sites are often large, it is not possible to know in advance the precise nature of the site (the amount of rock that needs to be excavated or removed, the existence of endangered species of flora and fauna, the reactions of potential users or residents, and areas of significance to indigenous people, for example). For this reason, consultancy studies are undertaken based on prudent sampling and investigations. However, these studies will not always reveal all issues that impact on a project and nor can they.

Importantly, regarding Horse Park Drive, the Audit highlights the fact that the contracted designer-superintendent did not deliver services satisfactorily, notwithstanding Procurement Solutions' efforts to negotiate with the project superintendent to encourage compliance with its contract. The Audit also notes that the superintendent was subsequently counselled for its poor performance on this project.

The Government notes that both projects concluded some time ago, with practical completion of Fairbairn Avenue and Horse Park Drive occurring in January 2006 and February 2004 respectively. A number of reforms have been implemented since these projects concluded, including, most significantly, the centralisation of procurement resources in 2005-06, which has improved coordination and expertise associated with ACT Government procurement activity. Procurement Solutions has also conducted, and is implementing recommendations from, a number of reviews of its systems, documentation and processes to ensure that they reflect best practice.

The Government has agreed or agreed in part, to all six of the Audit's recommendations.

Government Position on Recommendations

Recommendation 1: Roads ACT should evaluate the road construction projects, using an industry standard evaluation method, such as that issued by AUSTROADS, with a view to applying any findings to the management to future projects.

Agreed in part.

The Government accepts Roads ACT's advice, as referenced in the Audit Report, that while the AUSTROADS methodology represents good practice, it is only one of several tools available that can be used to evaluate roads projects. The Government will continue to determine appropriate evaluation methodologies on a project by project basis.

Recommendation 2: Procurement Solutions should:

- **include in contracts a provision requiring, in other than exceptional circumstances, contractors and consultants to cost variations and submit them within a certain timeframe, say 28 days, of notification of the variation.**

- **monitor the timely resolution of these variations.**

Agreed in part.

Procurement Solutions utilises *Australian Standard General Conditions of Contract AS 2124-1992* for many of its capital works projects. The Government intends to continue using this and similar industry standard contracts.

Reflecting the complex and varied nature of variations that can occur on capital projects, the procedures set out in AS 2124 dictate how variations, claims and disputes are settled, including the roles of the contractor and the superintendent.

Recommendation 3: Roads ACT and Procurement Solutions should:

- **consider the merit of separating the roles of designer and superintendent for larger and complex road projects;**

- **conduct peer reviews of project designs for complex projects and check whether project budgets are sufficient for the purposes of the project, prior to issuing a Certificate of Design Acceptance; and**

- **include a provision in relevant contracts to enable Procurement Solutions to request evidence that the contracted services have been quality assured to the standard required by Quality Certification.**

Agreed.

Recommendation 4: Procurement Solutions should:

- **provide clear information to project superintendent and other contractors on their roles and responsibilities, and the level of expected performance;**
- **review reports from consultants and contractors for timeliness and quality and take corrective action if they are late or deficient; and**
- **include a provision in relevant contracts to enable Procurement Solutions to request evidence that the contracted services have been quality assured to the standard required by Quality Certification.**

Agreed.

Recommendation 5: Procurement Solutions should require that monthly reports from project superintendents be comprehensive, and include updates to the risks to the project budget and timetable.

Agreed.

Recommendation 6: Procurement Solutions should utilise its quality assurance framework to ensure risk management plans are updated regularly, check that they are robust, and include them as an integral part of road project management.

Agreed in part.

The Territory's risk plans, developed and approved at the beginning of a project, reflect information available at the time the plan was developed and consider potential mitigation strategies.

In contrast, risk registers should be updated over the course of a project. The superintendent and the contractor are responsible for regularly updating and managing their risk register(s). As capital works projects progress, the risk plan is referred to and risks are reported and responded to within available risk management processes, whether these were reflected in the risk management plan or not.