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THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT SUBMISSION TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS INQUIRY

ACT AUDITOR-GENERAL'S OFFICE PERFORMANCE AUDIT REPORT
'Delivery of Budget Initiatives'

Authorised for publication
28.9.10

Presented By:
Ms Katy Gallagher MLA
TREASURER

INTRODUCTION

On 3 June 2010, the ACT Auditor-General released its Performance Audit Report titled *'Delivery of Budget Initiatives'*.

Recommendations and Findings

The audit made four recommendations to address the audit findings detailed in the Auditor-General's Report. These are discussed under the heading Government Position on Recommendations and Findings further below.

General Comments

The Government welcomes the report of the Auditor-General *'Delivery of Budget Initiatives'*.

The audit has identified several issues, particularly associated with the delivery of capital works initiatives.

The Government has instigated a large capital works program to ensure that appropriate infrastructure is available to support and ensure the services required by the ACT community can be delivered efficiently and effectively. Upon embarking on a much larger level of capital works, the Government concluded that existing delivery mechanisms and processes would not be sufficient. To address this, a range of reforms where undertaken to enhance planning and implementation processes and practices for capital works delivery.

The reforms undertaken are reflected in the agency responses to the Audit Report, which indicate that the recommendations have been addressed or plans exist to do so.

The Audit Report notes that 45 per cent of the sample capital projects were not completed on time and/or within budget. The Audit Report does not identify whether the cause for each project was timing or budget overspend.

The Audit Report largely focuses on budgeted expenditure within a given financial year. It is legitimate that the Government will alter the scope, timing or budget of a project following community consultation, resolution of planning and siting issues, and to overcome physical constraints.

In addition, for multi-year projects it is not unusual or unreasonable that expenditure will flow from one year to the next, while expenditure over the life of the project is contained within Budget. For example, often supplier invoices lag completion of works by a number of months.

In both of the cases noted above, not expending cash within a given financial year does not equate to poor performance.

It should also be acknowledged that despite rigorous planning and assessment processes, some capital projects, by their nature, will carry timing and cost risks. Planning issues, market conditions, the scarcity of labour and materials, weather conditions and other unforeseen circumstances can impact of costs and delivery. No reasonable amount of pre-planning can completely remove such risks.

GOVERNMENT POSITION ON RECOMMENDATIONS AND FINDINGS

The Auditor-General's Report (the Report) includes four recommendations. The government's response to the audit recommendations is outlined below.

Recommendation 1

Agencies should adopt a formalised project management framework to manage the implementation of budget initiatives.

Government Response

Agreed in-principle

Agencies are responsible for project management and take responsibility for establishing project management frameworks. Agencies are either compliant with this recommendation, or are in the process of formalising project management frameworks.

The Government has also established a centralised area of project and contract management within Procurement Solutions that provides services associated with the delivery of most large projects. The processes, practices and management framework utilised within Procurement Solutions is independently audited and *ISO 9001:2008 Quality Management Certified.*

Recommendation 2

Agencies should:

- **identify early the skills and expertise required to manage budget funded projects;**
- **provide appropriate training to project management staff; and**
- **allocate staff specifically to the project management aspects of large capital projects.**

Government Response

Agreed in-principle

The practice of identifying the skills and expertise required to manage budget funded projects, providing appropriate training to project management staff, and allocating staff specifically to the project management aspects of large capital projects are fundamental aspects of successfully delivering budget initiatives.

These practices are widely used across government. The Government supports the continued application of these for delivering budget initiatives.

Procurement Solutions provides expert advice on project management and procurement activities. Procurement Solutions is structured into multidisciplinary areas of specific skills encompassing a range of expertise including qualified architects, landscape architects, engineers and project management specialists. These officers are assigned projects in accordance with their area of expertise. Procurement Solutions provides ongoing training to its project officers on behalf of agencies to ensure that all applicable infrastructure projects are managed by a subject matter expert.

Within agencies other than Procurement Solutions, every effort is made to ensure that experienced and skilled officers are assigned to manage projects.

Recommendation 3

Agencies should:

- **develop, for each project, an implementation plan, appropriate to the size and complexity of the project; and**
- **include in the implementation plan sufficient details to allow adequate monitoring, including timeframe, phases of implementation, procurement strategy, roles and responsibilities.**

Government Response

Agreed in-principle

An implementation/project plan should be developed for budget initiatives and/or capital projects, where appropriate.

Agencies are responsible for the delivery of individual projects. Agencies are either compliant with this recommendation, or are in the process of establishing practices to ensure implementation/project plans are prepared for each project.

Agencies can also utilise Procurement Solutions to generate project specific briefs and plans which stipulate time, cost and quality control mechanisms. These project briefs/plans specifically reference roles and responsibilities, stakeholder involvement and reporting requirements.

Recommendation 4

Agencies should:

- **review their existing performance reporting system to improve the monitoring and reporting of project performance, especially against project milestones; and**
- **undertake and document post-implementation reviews of the project to identify any lessons learnt that may assist in the delivery of future initiatives.**

Government Response

Agreed in-principle

New Whole-of-Government reporting requirements for capital projects were implemented in 2009-10. Under the new reporting requirement agencies are required to monitor and report project performance for all capital works projects against expenditure and non-financial project milestones monthly.

Agencies can utilise and leverage off Procurement Solutions' formalised project management framework. Procurement Solutions has, over the last 8 months, implemented Oracle financials and reporting systems. As such, Procurement Solutions' ability to provide timely and accurate advice has, and will continue to improve as familiarity with the new systems increases.

A post-implementation review of each project, appropriate to the scale of the project, should be undertaken to provide lessons learnt for improving the management of future projects.