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**THE LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY**

**GOVERNMENT RESPONSE TO
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS REPORT NO. 32:
REVIEW OF AUDITOR-GENERAL'S REPORT No.6 OF 2015 – BULK WATER ALLIANCE**

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Government Response to the Standing Committee on Public Accounts Report on the Auditor-General’s Performance Audit into the Bulk Water Alliance

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Introduction/Background

On 24 June 2015 the ACT Auditor-General released the performance audit into the Bulk Water Alliance (BWA). The Report made a number of observations and no recommendations.

The Government tabled its response on 15 September 2015.

A key objective of the Audit was to provide an independent opinion to the Legislative Assembly on the effectiveness of ACTEW's management of its Bulk Water Alliance and the delivery of the associated infrastructure projects.

The Standing Committee on Public Accounts carried out a formal hearing into the report and released its report on 9 August 2016.

The Government response to each of the four recommendations of the Standing Committee is provided as follows.

Government Position on Recommendations

Recommendation 1

7.19 The Committee recommends that the ACT Government ensure that appropriate records are retained about the scoping of infrastructure projects and decisions made in relation to their design, delivery and procurement methods to ensure that all key project management decisions are evidenced and justified.

Government Response - Noted.

All Government agencies are required to maintain complete records of all procurement development and decision processes including detailed business cases for major infrastructure projects in accordance with prescribed guidelines and templates.

In particular, the development of a detailed business case in support of infrastructure projects requires that all information relevant to making of a decision to proceed is well documented for the approving entity to be able to provide the relevant approvals.

Recommendation 2

7.41 The Committee recommends that the ACT Government take appropriate steps to ensure that a communications strategy is developed for all major infrastructure projects to ensure that all stakeholders, the Legislative Assembly and the community receive timely information about the budget allocated for projects, the purpose and design of projects, any significant increases in project costs that occur, as well as the emergence of factors that may contribute to delay in project completion.

Government Response - Noted.

Communication strategies are developed for major infrastructure projects at the time they are submitted to Government for approval either as individual projects or as part of the annual budget process. At the appropriate time after approval, media releases will be issued announcing the project including an outline of the project, procurement information and project cost information, and where necessary community consultation processes. This will ensure that all stakeholders, the Legislative Assembly and the community are made aware of the project and its implications.

Tier 1 projects go through a detailed Business Case development process under the *Capital Framework* where stakeholders are identified and a Stakeholder Engagement Plan is prepared, and community issues are identified and assessed as part of an Advisor Engagement Plan.

The Government ensures that appropriate communication protocols are put in place where community consultation processes are required, and between the project agency and the tenderer where non-Government contract providers are involved.

As a project progresses the responsible agency for the project will provide an update on the project in its Annual Report, including information on any project cost changes and the emergence of any factors that may cause delay to project completion. In addition, the Government provides infrastructure project updates on a regular basis through:

- Budget Paper 3;
- the annual Infrastructure Plan Update; and
- quarterly reports on its capital works program.

These updates provide a comprehensive overview of key infrastructure projects that the Government has funded through the budget. It also includes information about potential major projects that could be progressed in the coming years. These updates, as well as informing Legislative Assembly members and the community generally, also provides advice to the construction industry and other relevant business sectors on the potential pipeline of projects.

Recommendation 3

7.48 The Committee recommends that the ACT Government develop guidelines for the procurement of major public infrastructure when using alliancing contracting arrangements. This information should be presented in a format for future reference and be publicly available.

Government Response - Noted.

Australian governments have developed national guidelines for the delivery of infrastructure projects to promote cross-government consistency and the use of best practice approaches. These guidelines cover the main approaches to project delivery and include:

- traditional contracting;
- alliance contracting; and
- public-private partnerships.

The *National Alliance Contracting Policy and Guidelines* have been developed to promote knowledge and best practice, and create a consistent national alliance contracting standard, whilst ensuring the existing benefits of alliancing are maintained.

Given the specific nature of this project and of the Alliance Contracting approach, the Government anticipates that this form of contracting would rarely be used. Should the Territory use Alliance Contracting for a future project, it would be managed in accordance with the National Guidelines. These Guidelines are available on the Commonwealth Department of Infrastructure and Regional Development website:

<https://infrastructure.gov.au/infrastructure/ngpd/>

Recommendation 4

7.50 The Committee recommends that the responsible Minister inform the ACT Legislative Assembly about how Icon Water has applied the lessons learned from the Bulk Water Alliance to its alliance arrangement for the delivery of capital works at the Lower Molonglo Water Quality Control Treatment Centre (at the completion of the Project).

Government Response - Noted.

Icon Water has advised the lessons learned through the Bulk Water Alliance project, together with other business drivers, has led to improvements in a number of project delivery facets. The primary focus has been the transparent demonstration of the project approval process and enhanced oversight of those projects as they progress. To ensure suitable oversight and governance of its capital projects Icon Water has also established a dedicated Program Management Office and an improved project investment decision making framework.

As an example, Icon Water has implemented a stage gate approval process (from concept development through to the execution stage) for capital works projects with gates determined by project value and urgency. This process is oversighted by Icon Water's Investment Review Committee (IRC) which scrutinise candidate projects, prioritises the capital works program, monitors program expenditure and project performance.

Following IRC endorsement, financial management processes are in place to ensure delegations are only exercised where the project has been subject to due investment review processes.

A significant portion of Icon Water's forward capital program is made up of projects at the Lower Molonglo Water Quality Control Centre (LMWQCC). These upgrades will ensure that Icon Water continues to meet its operating licence conditions. Works on the LMWQCC program will be undertaken between 2016 and 2019 as a program of work by the Alliance partner through its project delivery alliance arrangement with Icon Water.

The processes described above are applied to each of these candidate projects and in addition to this oversight, typical Alliance risk sharing principles are applied.

Further governance frameworks are provided through an Alliance Leadership Group and Program Management meetings (with representation from both Icon Water and the Alliance partner's senior management) which serve as primary approval bodies for any project work prior to consideration through the IRC gated approval process.