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THE LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE TO THE *AUDITOR-GENERAL'S REPORT NO. 5 OF 2014: 'CAPITAL WORKS REPORTING'*

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Introduction

The Auditor-General released the Auditor-General's Report No. 5 of 2014: *'Capital Works Reporting'* (the Report) on 27 June 2014.

Recommendations

The Auditor-General made 8 recommendations in the Report. A whole of government response has been prepared and provided below to address these recommendations.

Changes in Administrative Arrangements

Under the Administrative Arrangements which came into effect on 7 July 2014, the Commerce and Works Directorate is now the Procurement and Capital Works (PCW) function of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). The Chief Minister and Treasury Directorate and the Economic Development Directorate have also been incorporated into CMTEDD.

Government Position on Recommendations/Findings

A Government response, and position on the 8 recommendations included in the Auditor-General's Report are outlined below.

Recommendation 1 – Format of capital works reporting templates

The Chief Minister and Treasury Directorate should continue to review and streamline the templates for Directorate reporting on capital works progress to the Chief Minister and Treasury Directorate, Budget Committee of Cabinet and the public.

<u>Government Position</u>

Agreed.

<u>Current Action</u>

The templates for capital works reporting by directorates will be revised by CMTEDD in consultation with directorates to improve the efficiency and effectiveness of capital works reporting.

The revised templates will be developed and implemented over the course of 2015-16.

Recommendation 2 – Negotiated Service Provision Agreements

The Commerce and Works Directorate's Shared Services Procurement and directorates should develop capital works service level agreements, or the equivalent, by 31 December 2014. These should specify reporting responsibilities.

<u>Government Position</u>

Agreed in principle noting that the timeline included in the Recommendation has passed.

<u>Current Action</u>

Procurement and Capital Works (PCW) is developing partnership agreements to clarify roles and responsibilities with those directorates which have annual capital works programs of at least $5 million. The framework for the agreements is nearing final draft.

The MOU with the Health Directorate is expected to be finalised soon, with partnership agreements specific to other directorates to follow. Governance of the Loose Fill Asbestos Insulation Eradication Scheme includes a Steering Committee and PCW's role and responsibilities on that Committee and more broadly are clearly defined.

Recommendation 3 – Capital Works Coordinators Group

The Commerce and Works Directorate's Shared Services Procurement should monitor the effectiveness of the Capital Works Coordinators Group.

<u>Government Position</u>

Agreed in principle.

Current Action

PCW convenes quarterly meetings of the Capital Works Coordinators Group (CWCG). The CWCG operates under terms of reference approved by the former Capital Works and Procurement Committee (CWPC) of the Strategic Board. While it is not intended for the work of the CWCG to be formally evaluated, PCW is responsible for recording the minutes and action items of the CWCG meetings to ensure the forum continues to serve its purpose.

The meetings provide a forum for directorates to liaise on the operational delivery of capital works projects, including approaches to the implementation of Government policies, information on best practice for infrastructure planning and delivery, and industry matters.

Effectiveness has been discussed at the Group meetings and as such, changes have been made to include the Master Builders Association at specific meetings.

Minutes from the CWCG meetings will be provided to the newly constituted CWPC, to be chaired by the Director-General, Economic Development, when it commences.

Recommendation 4 – Revision of guidance for capital works reporting to Budget Committee of Cabinet.

The Chief Minister and Treasury Directorate should revise its *Capital Works Program Bi-monthly Monitoring and Reporting to the Budget Committee of Cabinet Guidance Paper* to reflect the current purpose of reporting.

Government Position

Agreed.

Current Action

CMTEDD will revise guidance material for capital works reporting to reflect the new processes and framework for capital works reporting to the Government BCC and the Legislative Assembly. Refer also to the Government Responses to Recommendations 1, 5 and 8.

Recommendation 5 – Timeliness of reporting

The Chief Minister and Treasury Directorate should consult with the Budget Committee of Cabinet to determine the timeliness of information it requires in reports provided to it. The results of this consultation should be reflected in a revised *Capital Works Program Bi-monthly Monitoring and Reporting to the Budget Committee of Cabinet Guidance Paper* (refer to Recommendation 4).

Government Position

Agreed.

Current Action

From the June Quarter 2015, capital works reports will be provided to the Budget Committee of Cabinet (BCC) on a quarterly basis rather than bi-monthly. This change was made to streamline the reporting processes.

From the September Quarter 2015, the timeline for these reports will be shortened from 8 weeks to 6 weeks between the end of the reporting period and consideration of the reports by the BCC.

In addition, the *Financial Management Amendment Bill 2015*, introduced in the Legislative Assembly on 4 June 2015, proposes the insertion of a new Division 3.3 which would provide that the Treasurer will present a capital works report to the Assembly at least once every six months within 60 days after the end of the period for which the report is prepared. The commencement clause for the Bill proposes that the new Division take effect from 1 July 2016.

CMTEDD will revise guidance material for capital works reporting to reflect the new processes and framework for capital works reporting to the BCC and the Legislative Assembly. Refer also to the Government Responses to Recommendations 1, 4 and 8.

Recommendation 6 – Quality control

All Directorates should quality control information to be included in capital works reports to the Chief Minister and Treasury Directorate and the Budget Committee of Cabinet, and have documented quality control procedures.

Government Position

Agreed.

Current Action

Directorates have confirmed that quality control processes exist for capital works reporting. These processes are consistent with the *ACT Accounting Policy – Capital Works 2006* and are part of the broader frameworks for the management and quality control of financial information by Directorates. Legislative provisions governing these frameworks within the *Financial Management Act 1996* are applicable to, but do not specify, capital works reporting processes.

Recommendation 7 – Whole of Government project management information software system

The Commerce and Works Directorate's Shared Services should finalise procurement of its project management software system having regard to:

a) re-engineering supporting processes and procedures, particularly those governing such things as payment methods and financial system functionality;

b) optimising the reporting module of the system to deliver reporting information to the Chief Minister and Treasury Directorate and Budget Committee of Cabinet; and

c) integration with/or (where cost effective)replacement of software in other directorates.

<u>Government Position</u>

Agreed.

<u>Current Action</u>

Draft specifications for the software have been developed by PCW and are being refined in accordance with the requisites of the Steering Committee (SC) for the project.

The SC now has additional representation from other directorates to enable the delivery of whole of government benefits and optimise value for money. The new system, together with directorates' expenditure reporting, will provide full project reporting.

A decision on the extent of the software system's use across government will be made by the Strategic Board, depending on the suitability of the selected solution.

Recommendation 8 – Reporting on capital works delivery risks

The Chief Minister and Treasury Directorate should consult with the Budget Committee of Cabinet to confirm its information needs on project risks and associated mitigation strategies. The results of this consultation should be reflected in a revised *Capital Works Program Bi-monthly Monitoring and Reporting to the Budget Committee of Cabinet Guidance Paper* (refer to Recommendation 4).

<u>Government Position</u>

Agreed.

<u>Current Action</u>

Cabinet has agreed that the high level whole of government capital works reports to the BCC is designed to provide a consolidated snapshot of the government's capital works program, reporting against project milestones, budget and strategic risk.

The main avenue for monitoring, control and risk management of individual projects is through reports from directorates to their respective Ministers and reports from directorates to the BCC.

The revised reporting templates for capital works will seek to ensure that adequate information on project risks and mitigation strategies is available to Ministers. The transparency of the capital works program and accountability of Directorates for the management of projects within their portfolios will also be enhanced through the Government reports to the Assembly. Refer also to the Government Responses to Recommendations 1, 4 and 5.