

**2015**

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

**GOVERNMENT RESPONSE TO  
ACT AUDITOR-GENERAL'S REPORT  
NO. 6 OF 2015 ON THE BULK WATER ALLIANCE**

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Treasurer**

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**Government Response to the Auditor-General’s Performance Audit into the Bulk Water Alliance findings**

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## **Introduction/Background**

The construction of the three major water security projects, comprising the Enlarged Cotter Dam, the Murrumbidgee to Googong Pipeline and the Googong Dam Spillway, as endorsed by the ACT Government in 2009, represent some of the largest and most significant construction projects undertaken by the Territory. The completed projects will provide future generations of Canberrans with security against future climate change impacts and avoid having to resort to severe water restrictions during periods of prolonged drought.

The projects were managed by ACTEW Corporation (now Icon Water) under the Bulk Water Alliance (BWA) framework.

The Auditor-General's performance audit focused on the management of these three projects under the Alliance arrangements. The scope of the audit included consideration of ACTEW's activities to manage and establish the alliance contracting arrangement, and to manage the costs and its communication with key stakeholders.

The Audit Report concludes that ACTEW's use of the alliance arrangement to construct and deliver the projects was appropriate and effective, and conformed to best practice guidelines while suggesting that some processes could have been better implemented.

The Audit Report also investigated certain claims made in a public interest disclosure (PID) received by the Commissioner for Public Administration in August 2013. The Audit Report found that there was no evidence to suggest that ACTEW or the Government sought to mislead or deceive the public in relation to the project costs, as claimed by the entity initiating the PID.

Icon Water welcomes the Audit Report and acknowledges that there have been "lessons learned" from the alliance arrangement which will be carried forward by the alliance partners in future infrastructure projects.

There were no recommendations in the Audit Report, however the Government is in general agreement with the findings and conclusions and acknowledges the successful outcome of these important infrastructure projects for the Territory.

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## **Government Position on Recommendations/Findings**

### **OVERALL CONCLUSION**

The Bulk Water Alliance delivered the Enlarged Cotter Dam, Murrumbidgee to Googong Pipeline and the Googong Dam Spillway. However, the Enlarged Cotter Dam's final cost of \$410.5 million exceeded its final estimated cost of \$363.0 million (Bulk Water Alliance's Final Target Outturn Cost of \$299.0 million and ACTEW's costs of \$64.0 million), as approved on 1 September 2009, and was overdue by 20 months. An earlier pre-Bulk Water Alliance estimate of \$145.0 million, developed by ACTEW and presented to the ACT Government in 2007, was preliminary and did not include all of the anticipated costs. The Murrumbidgee to Googong Pipeline cost \$140.5 million, less than the final estimated cost of \$154.5 million and was overdue by 3 months. The Googong Dam Spillway cost \$54.0 million, less than the final estimated cost of \$56.0 million and was overdue by 8 months. The three project's combined cost of \$605.0 million is an increase of 5.5 percent over the combined final budgeted costs.

Despite the cost overrun for the Enlarged Cotter Dam and all three projects being overdue, ACTEW's use of an alliance to deliver it and the Murrumbidgee to Googong Pipeline project was appropriate and effective, although some aspects could have been improved. The merits of including the Googong Dam Spillway project in the alliance have not been evidenced.

While an Enlarged Cotter Dam 'lean' Target Outturn Cost was designed to encourage better performance and minimise overall costs it proved to be too 'lean' as some costs were based on unrealistic construction schedules. Unforeseeable events, including the 1:100 year flood, while impacting on schedule and cost do not fully account for the extent of the overrun.

While there were delays in providing cost information about the Enlarged Cotter Dam to the public there is no documented evidence that ACTEW or the ACT Government sought to deliberately mislead or deceive the public.

### **Government Position**

Noted

The Government welcomes the Auditor-General's Report on the Bulk Water Alliance, which accepts that the alliance model selected to manage the three major water security projects was appropriate and effective, and the process conformed with best practice guidance.

The Audit Report clearly illustrates the extent of the challenges and inherent risks associated with the planning, preparation, design and the construction of major

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infrastructure projects. Major projects can involve certain risks beyond the control of the alliance partners.

The Government notes that there were cost overruns beyond the control of project management for the Enlarged Cotter Dam project. This includes the impact of significant periods of bad weather, three flood events and the discovery of the geological fault which all contributed to delays and increased costs. The other two projects, whilst they were not completed on time were delivered under budget.

The community now has much improved water storage capacity which will provide security against future climate change impacts and avoid having to resort to severe water restrictions during periods of prolonged drought.

The Government notes that the Audit Report found no evidence to suggest that ACTEW or the Government deliberately misled the public in reporting changes to the costs of the dam during the planning and construction phases.

The detailed findings and conclusions of the Audit Report, in the main, outline the day to day management of the dam's construction through the alliance mechanism. Icon Water has acknowledged that all the projects completed by the BWA provided "lessons learned" for the alliance partners and Icon Water will take these into consideration with future projects.