



Legislative Assembly for the
Australian Capital Territory

Select Committee on Financial
Management and Government
Procurement Legislative Compliance

Submission cover sheet

Inquiry into Financial Management and Government Procurement Legislative Compliance

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**Submission to the ACT Legislative Assembly
Select Committee on Financial Management and
Government Procurement Legislative Compliance**

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INQUIRY TERMS OF REFERENCE:

- (i) The ACT Government's compliance with and potential breaches of the Financial Management Act 1996.
- (ii) The ACT Government's compliance with and potential breaches of the Government Procurement Act 2001.
- (iii) any other related matters.

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1. KEY FINDINGS

This submission identifies several governance issues that may affect transparency and accountability in the procurement of major infrastructure projects in the ACT. These issues do not necessarily indicate non-compliance in individual procurements, but they may reduce the ability of the Legislative Assembly and the public to clearly assess value for money and fiscal risk when significant public expenditure is involved.

The Committee may wish to examine the following systemic governance issues.

1.1 Procurement exemptions and limited competition

Exemptions from open tendering can be lawful under the Government Procurement Act 2001. However, frequent reliance on exemptions or limited tenders can reduce competitive tension and make it more difficult to demonstrate value for money if supporting documentation and reporting are not transparent.

1.2 Fragmented procurement and "salami-slicing"

Large infrastructure projects are often delivered through multiple procurement packages. While this may be appropriate for delivery reasons, fragmented procurement structures can obscure the total cost of a project and make it difficult to identify the Territory's full financial commitment at any given time.

1.3 Contract variations and cost escalation

Contract variations are a common feature of infrastructure delivery. Without consolidated reporting, however, cumulative variations across multiple contracts may significantly increase the final project cost without clear visibility to the Assembly.

1.4 Whole-of-project cost transparency

Where enabling works, corridor preparation or preliminary contracts occur before final project approval, procurement decisions may create incremental financial commitments that effectively lock in later stages of a project.

1.5 Financial management and fiscal risk

Major infrastructure procurement decisions can influence the Territory's fiscal position through borrowing, debt servicing obligations and long-term operating costs. Transparent reporting is therefore necessary to demonstrate prudent financial management under the Financial Management Act 1996.

1.6 Governance and assurance

Independent probity oversight, gateway assurance reviews and clear conflict-of-interest management are important mechanisms for ensuring that procurement decisions are robust, transparent and supported by independent analysis.

2. EXECUTIVE SUMMARY

Purpose of this submission

This submission is intended to assist the Committee by identifying governance and transparency issues that may arise in major infrastructure procurement and by suggesting lines of inquiry that may assist the Committee in examining compliance with the **Financial Management Act 1996** and the **Government Procurement Act 2001**.

Major infrastructure projects frequently involve staged delivery, multiple procurement packages and evolving cost assumptions. These characteristics can create governance risks including:

- procurement exemptions and limited competition
- fragmented procurement structures that obscure total project cost
- insufficient transparency around contract variations
- limited public visibility of updated business cases
- weak linkage between procurement decisions and long-term fiscal exposure.

This submission does not seek to assess the policy merits of individual infrastructure projects. Instead, it focuses on whether existing procurement and financial reporting frameworks provide the Assembly with sufficient visibility to assess **value for money and fiscal risk** when significant public resources are committed.

3. WHY THIS INQUIRY MATTERS FOR MAJOR PROJECTS

Major transport and city-shaping projects are typically:

- high value
- multi-year
- delivered through multiple contracts.

Procurement packages may include enabling works, utilities relocation, design contracts, corridor preparation and principal construction works.

While such structures can be appropriate for project delivery, they may also create transparency challenges if the Assembly and the public cannot easily see:

- the total cost of the project
- cumulative contract variation values
- updated whole-of-life cost estimates

the fiscal implications of procurement decisions.

Governance inquiries in Australia and internationally highlight the importance of clear reporting frameworks so legislatures can maintain oversight of large infrastructure investments.

4. KEY ISSUES FOR THE COMMITTEE TO TEST

This submission identifies several governance risks that may arise in the procurement of major infrastructure projects:

- limited use of open competition in high-value procurements
- insufficient transparency regarding procurement exemptions
- fragmented procurement structures that obscure total project cost
- contract variations that significantly increase costs after award
- limited public visibility of updated business cases and economic analysis
- weak linkage between procurement decisions and long-term fiscal exposure.

These risks do not necessarily indicate non-compliance in individual procurements. However, they may reduce the ability of the Assembly and the public to clearly assess whether procurement decisions demonstrate value for money and prudent financial management.

4.1 Procurement exemptions and limited competition

The Committee may wish to examine how frequently exemptions from open tendering are used in major infrastructure procurement.

While procurement exemptions may be lawful under the Government Procurement Act 2001, reliance on limited tenders can reduce competitive tension and make it more difficult to demonstrate that the selected contractor represents the best available option.

Audit reports have previously emphasised that procurement exemptions must still demonstrate value for money and should be supported by clear documentation and oversight.

The Committee may wish to examine:

- the frequency of exemptions used for major projects
- the rationale supporting exemption decisions
- whether market testing was undertaken
- whether exemption-based procurements experience higher rates of contract variation.

Strengthening transparency around procurement exemptions would improve confidence that value-for-money requirements are being met.

4.2 Value for money and whole-of-life costs

Value for money in procurement requires evaluation against multiple criteria including:

- whole-of-life costs
- risk allocation
- supplier capability
- delivery outcomes.

For major infrastructure projects, the Committee may wish to examine whether procurement decisions are supported by robust economic analysis and business case evaluation.

Where project assumptions change, updated business cases may be prepared. The Committee may wish to consider whether such updates are made available to the Assembly when project costs or delivery assumptions change.

4.3 Contract variations and cost escalation

Contract variations are a common driver of cost escalation in infrastructure projects.

While variations may be legitimate, transparency risks arise where:

- variation values are not publicly aggregated
- reasons for variations are not disclosed
- updated project totals are not regularly published.

The Committee may wish to examine whether agencies maintain consolidated reporting systems that allow clear identification of:

- variation values by contract
- cumulative variation totals across a project
- updated whole-of-project cost estimates.

4.4 Project fragmentation and “salami-slicing” procurement

Major infrastructure initiatives may be delivered through a series of smaller procurement packages including:

- utilities relocation
- corridor preparation
- environmental works
- engineering design contracts
- principal construction works.

While this approach can be legitimate, fragmented procurement structures can obscure the total cost of major projects.

Where procurement decisions occur across multiple packages and financial years, it may be difficult for the Assembly to identify the full project cost at any given time.

This can create situations where the Territory becomes incrementally committed to completing later stages in order to realise the value of earlier investments.

The Committee may therefore wish to examine whether procurement structures used for large infrastructure projects provide sufficient transparency regarding total project cost and cumulative financial commitments.

5. FINANCIAL MANAGEMENT AND FISCAL RISK

Major infrastructure procurement decisions can have significant implications for the Territory’s fiscal position.

Large projects may influence:

- government borrowing requirements
- debt servicing obligations
- long-term operating and maintenance costs
- fiscal capacity for other public services.

Major infrastructure procurement decisions also have implications for the Territory's long-term fiscal sustainability. Where project costs increase or procurement structures obscure whole-of-project expenditure, the resulting financial commitments may ultimately influence borrowing requirements, debt servicing costs and the broader budget position. Transparent procurement and cost reporting supports not only procurement integrity but also informed public debate about long-term fiscal pressures.

Procurement transparency is therefore not solely a procurement governance issue; it is also central to demonstrating prudent financial management under the Financial Management Act 1996.

The Committee may wish to examine whether procurement decisions relating to major infrastructure projects are clearly reflected within:

- Budget papers
- fiscal risk statements
- infrastructure pipeline announcements
- forward estimates.

Clear linkage between procurement decisions and fiscal reporting would assist the Assembly in understanding the long-term financial implications of major projects.

6. GOVERNANCE INTEGRITY AND ASSURANCE

Strong governance arrangements are essential for major infrastructure procurement.

Key mechanisms may include:

- independent probity advisers
- conflict-of-interest declarations
- gateway assurance reviews
- independent project oversight.

Independent gateway review processes are widely used in other jurisdictions to assess projects at key decision points including:

- business case development
- procurement strategy approval
- contract award
- project delivery
- benefits realisation.

Such assurance mechanisms can assist governments in identifying risks early and ensuring that procurement decisions are supported by robust analysis.

The Committee may wish to examine whether major infrastructure projects in the ACT are subject to sufficiently robust independent assurance processes.

7. CASE STUDIES FOR COMMITTEE EXAMINATION

This submission does not seek to draw conclusions regarding specific projects. However, several major infrastructure initiatives may provide useful case studies. These include:

Canberra Light Rail – Stage 2A

The Committee may wish to examine:

- procurement model selection
- separation of enabling works and construction packages
- transparency of updated economic analysis
- cumulative contract variations.

Canberra Light Rail – Stage 2B

The Committee may wish to examine procurement approaches used for planning studies, engineering design and corridor preparation works.

London Circuit Road Reconfiguration

This project may provide an opportunity to examine procurement approaches for enabling works associated with major transport projects.

Northern and Southern Gateway Corridor Projects

The Committee may wish to examine whether procurement structures used for corridor infrastructure provide clear visibility of total project cost and financial exposure.

8. RECOMMENDATIONS

The following recommendations are offered to assist the Committee in strengthening procurement transparency and financial oversight for major infrastructure projects.

8.1 Whole-of-project cost transparency

For major infrastructure projects involving multiple procurement packages, the ACT Government should publish consolidated reporting showing:

- total number of contracts associated with the project
- initial contract value for each procurement package
- cumulative variation values
- updated whole-of-life project cost estimates.

8.2 Contract variation reporting

Introduce public reporting of significant contract variations and cumulative variation totals by project.

8.3 Procurement exemption transparency

Strengthen reporting of procurement exemptions used in high-value procurements, including publication of exemption rationales where appropriate.

8.4 Updated business case disclosure

Publish updated business cases or economic analyses where major project assumptions change.

8.5 Independent project assurance

Introduce formal gateway assurance processes for major infrastructure projects.

8.6 Consultant conflict-of-interest controls

Strengthen governance arrangements where consultants participate in multiple project stages.

8.7 Improved fiscal transparency

Enhance disclosure of fiscal impacts of major infrastructure projects within Budget papers and fiscal risk statements.

9. CONCLUSION

Major infrastructure projects involve significant public expenditure and long-term fiscal commitments.

Strengthening transparency around procurement structures, contract variations and whole-of-project cost reporting would assist the Assembly in maintaining effective oversight of major infrastructure procurement and ensure these investments demonstrably deliver value for money and prudent financial management.

10. EVIDENCE BASE AND REFERENCES (INDICATIVE)

ACT Legislative Assembly: Resolution establishing the Select Committee on Financial Management and Government Procurement Legislative Compliance (26 Feb 2026).

ACT Audit Office: Report No. 7 of 2021 – Procurement exemptions and value for money; and related Public Accounts Committee inquiry and government response.

ACT Audit Office: Report No. 8 of 2021 – Canberra Light Rail Stage 2A: Economic Analysis; and related committee materials and government response.

ACT Audit Office: Report No. 5 of 2016 – Initiation of the Light Rail Project.

ACT Government: Government Procurement Act 2001 (current); Procurement ACT guidance and Charter of Procurement Values Direction.

ACT Government: Financial Management Act 1996 (current).

11. APPENDIX A – INFORMATION THE COMMITTEE SHOULD REQUEST

- a) A consolidated list of all contracts (and amendments) for major transport projects since 2015, with original contract value, variation value and rationale, current value, and contractor/contractor changes.
- b) A list of all procurement exemptions used for those projects, with exemption category, rationale, market testing undertaken, and approving delegate.
- c) Probity plans, conflict-of-interest registers, and probity reports for major tenders and limited tenders.
- d) Business Cases and Benefits Realisation plans together with performance dashboards (internal and public) for each major project.
- e) Budget and fiscal-risk statements mapping major project commitments to general government sector debt and long-term operating costs.
- f) Internal project variation registers or project cost dashboards used to monitor cumulative contract variations and updated project cost forecasts.

The intention of this submission is to support the Committee's work by highlighting governance and transparency issues that may arise in large infrastructure procurements and by suggesting practical lines of inquiry that may assist the Committee in assessing compliance with the Financial Management Act 1996 and the Government Procurement Act 2001.

The issues identified in this submission are offered to assist the Committee in assessing governance practices rather than to draw conclusions regarding specific procurement decisions.

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