



Public Accounts Committee

Report 9/56 – November 2018

Examination of Auditor-General's Performance Audit Reports October 2016 - May 2017



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The motto of the coat of arms for the state of New South Wales is "Orta recens quam pura nites". It is written in Latin and means "newly risen, how brightly you shine".

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Membership

| | |
|------------------------|--|
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Terms of Reference

Under section 57 of the *Public Finance and Audit Act 1983*, the functions of the Committee include the examination of any report of the Auditor-General laid before the Legislative Assembly and any circumstances connected with those reports.

Public Finance and Audit Act 1983

57 Functions of the Committee

(1) The functions of the Committee are:

...

(c1) to examine any reports of the Auditor-General laid before the Legislative Assembly,

(d) to report to the Legislative Assembly from time to time upon any item, or any circumstances connected with, those financial reports, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly.

At its meeting on 21 June 2018, the Committee adopted the following terms of reference:

That the Committee inquire into and report on any circumstances connected with the following reports of the Auditor-General which the Committee considers ought to be brought to the notice of the Legislative Assembly: Preventing and managing worker injuries, Government Advertising 2015-2016, Implementation of the NSW Government's program evaluation initiative, CBD and South East Light Rail Project, Assessing major development applications, Building the readiness of the non-government sector for the NDIS, Passenger Rail Punctuality, Contingent workforce: procurement and management, Therapeutic programs in prisons and Planning for school infrastructure

Chair's Foreword

This is the fifth report of the Public Accounts Committee's performance audit review program to be tabled in the 56th Parliament.

In accordance with its established performance review process, the Committee examines performance audits conducted by the Auditor-General, in order to further investigate action taken by agencies in response to the Auditor-General's recommendations. As part of the follow up, the Committee questions agencies on measures they have taken and, if required, conducts public hearings to gather additional information from agency representatives.

The process has proven to be an effective means of testing action taken on performance audits and maintaining a high level of scrutiny of the agencies under review.

This report reviews ten performance audits covering the period from October 2016 to May 2017, conducted into: Preventing and managing worker injuries; Government Advertising 2015-2016; Implementation of the NSW Government's program evaluation initiative; CBD and South East Light Rail Project; Assessing major development applications; Building the readiness of the non-government sector for the NDIS; Passenger Rail Punctuality; Contingent workforce: procurement and management; Therapeutic programs in prisons; and Planning for school infrastructure.

With some exceptions, the Committee is generally satisfied that the responsible agencies are implementing the Auditor-General's recommendations, while identifying areas where more action is required.

The Committee has made a total of fourteen recommendations to NSW Government agencies to improve program evaluation processes, provide more information on the CBD and South East Light Rail project, address rail punctuality and public information provision, and strategies for the management of school infrastructure.

I am pleased to present this Report and thank the Auditor-General and Audit Office staff for their assistance in this inquiry. I also wish to thank my Committee colleagues and Committee Secretariat for their contributions and support throughout the inquiry process.



Bruce Notley-Smith MP
Chair

Findings and Recommendations

Recommendation 1 _____ 12

The Committee recommends that the NSW Government prioritises the development and refinement of robust methodologies to improve current deficiencies in cost-benefit and cost-effectiveness evaluations for programs across all agencies.

Recommendation 2 _____ 12

The Committee recommends that the NSW Government develops more extensive collaborative research programs with the university sector, to improve and enhance program evaluation methodologies and analytical approaches to measure program outcomes, including cost-benefit and cost-effectiveness evaluations.

Recommendation 3 _____ 18

The Committee recommends that Transport for NSW undertakes a new benefit-cost ratio analysis for the CBD and South East Light Rail project, factoring in all currently available information and providing detailed information about the basis for its analysis.

Recommendation 4 _____ 18

The Committee recommends that the NSW Government develops and releases guidelines for the determination of information classified as commercial-in-confidence, and a rationale for its application to individual projects.

Recommendation 5 _____ 18

The Committee recommends that the Auditor-General considers undertaking a follow-up Audit of the CBD and South East Light Rail project as part of the forward performance audit program.

Recommendation 6 _____ 23

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains finalise Phase Two of the 'More Trains, More Services' program, for approval by Cabinet as a matter of urgency.

Recommendation 7 _____ 24

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains make a redacted version of Phase Two of the 'More Trains, More Services' program available to the public following approval.

Recommendation 8 _____ 24

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains publish the Customer Delay Measure as soon as practicable as a means by which to provide a public record of delays experienced by customers.

Recommendation 9 _____ 24

The Committee recommends that by June 2019, Transport for NSW, Sydney Trains and NSW Trains introduce performance indicators to measure the compliance of rail agencies with the Operations Protocol.

Recommendation 10 _____ 24

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains collect more detailed data on the impact of the Travel Choices Program, to better document and explain its impact on passenger behaviour and to drive future efficiencies.

Recommendation 11 _____ 29

The Committee recommends that the NSW Department of Education provides a progress report to the Committee by July 2019 on how the Department has implemented the School Assets Strategic Plan for each catchment and for individual projects within each catchment.

Recommendation 12 _____ 29

The Committee recommends that the NSW Department of Education provides measures and indicators for current and future projects to document how the Department will manage contingencies within their framework for the implementation of the School Assets Strategic Plan.

Recommendation 13 _____ 29

The Committee recommends that the NSW Department of Education continues to investigate policy options to reduce infrastructure requirements and provides a progress report on its implementation of new and existing policies and practices to reduce infrastructure requirements for each respective school catchment.

Recommendation 14 _____ 29

The Committee recommends that the NSW Department of Education publishes detailed information on the status of assets and current and projected enrolments to provide transparency and encourage more effective consultation and collaboration with the broader community.

Glossary

| | |
|-------|---|
| BCR | Benefit-Cost Ratio |
| CPL | Capital Planning Limit |
| CPL | Capital Planning Limit |
| CSELR | CBD and South East Light Rail |
| CSNSW | Corrective Services NSW |
| DoE | Department of Education |
| DPC | Department of Premier and Cabinet |
| ERC | Expenditure Review Committee of Cabinet |
| FACS | Department of Family and Community Services |
| FMT | Financial Management Transformation |
| FRNSW | Fire and Rescue NSW |
| IIFAF | Insurance Investor Assurance Framework |
| ISIPC | Infrastructure and Services Innovation and Planning Committee |
| KPI | Key Performance Indicators |
| MOU | Memorandum of Understanding |
| NDIA | National Disability Insurance Agency |
| NDIS | National Disability Insurance Scheme |
| NSWPF | NSW Police Force |
| PSC | Public Service Commission |
| SASP | School Assets Strategic Plan |
| SINSW | School Infrastructure NSW |
| TfNSW | Transport for NSW |
| WIP | Workforce Improvement Program |

Chapter One – Introduction

Overview

- 1.1 The performance audits examined by the Committee for this inquiry were tabled by the Auditor-General in the period October 2016 to May 2017. The aim of the examination is to assess the required action taken by relevant agencies in response to the Auditor-General's recommendations. The Committee considered evidence provided by each agency and also sought advice from the Auditor-General.
- 1.2 The Committee found significant work has been undertaken to address issues raised in the audits. It is clear that the agencies have taken the audit review process seriously and instigated action to implement accepted recommendations. Some recommendations will take time to fully action or are being addressed through the implementation of larger projects.

Inquiry process

- 1.3 In accordance with its legislative responsibility outlined in section 57 of the *Public Finance and Audit Act 1983*, the Committee resolved at its meeting on 21 June 2018 to commence an examination of the Auditor-General's performance audits from October 2016 to May 2017. The full terms of reference are included on page iii.
- 1.4 The process for these examinations included:
- Inviting a submission from responsible agencies twelve months after the tabling of the audit.
 - Referring agencies' submissions to the Auditor-General for comment.
 - Where the Committee determined that further information was required, agency representatives and the Auditor-General were invited to a hearing to provide additional information.
- 1.5 The Committee examined ten performance audit reports and received 16 submissions in relation to its examination. A full list of submission authors can be found at Appendix One and copies of the submissions are available on the Committee's website at: [Submissions](#)
- 1.6 On the basis of submissions received, the Committee determined that two performance audits had been satisfactorily completed, with the agencies concerned fully implementing the Auditor-General's recommendations. These performance audits were:
- *Government Advertising 2015-2016*
 - *Assessing major development applications*

- 1.7 Details concerning these performance audits can be found on the website of the NSW Auditor-General at: www.audit.nsw.gov.au.
- 1.8 The Committee was not satisfied that recommendations contained in four of the remaining performance audit reports had been fully addressed. To conduct a more detailed examination of these reports, the Committee held a public hearing on 17 September 2018, seeking further information. The performance audits examined at the public hearing were:
- *Implementation of the NSW Government's program evaluation initiative*
 - *CBD and South East Light Rail Project*
 - *Passenger Rail Punctuality*
 - *Planning for school infrastructure*
- 1.9 The Audit Office provided written feedback on the submissions made by agencies on 13 June 2018. The Auditor-General, Ms Margaret Crawford, Deputy Auditor-General, Mr Ian Goodwin, and Assistant Auditor-General, Claudia Migotto also attended the public hearing and supplemented the evidence given.
- 1.10 A transcript of the hearing is located on the Committee's website at: [Transcripts](#). Details of witnesses who appeared at the hearing are included at Appendix Two.
- 1.11 Additionally, the Committee sought further written clarification of aspects of agency responses to four performance audits, namely:
- *Preventing and managing worker injuries*
 - *Building the readiness of the non-government sector for the NDIS*
 - *Contingent workforce: procurement and management*
 - *Therapeutic programs in prisons*
- 1.12 Detailed agency responses to the Committee's further questions can be found on the Committee's website at: [Agency Responses](#)
- 1.13 Discussion of the audits examined is detailed in subsequent chapters of the report.

Chapter Two – Committee's Consideration of Performance Audits not subject to Public Hearings

Background

- 2.1 As outlined in Chapter One, and in accordance with the Committee's established procedure of considering performance audit reports in consolidated groupings, this report deals with ten Audit Office reports for the period October 2016 to May 2017.
- 2.2 The Committee's practice in reviewing the reports is to make a determination, based on agency responses and Audit Office advice, about how to exercise its scrutiny functions in relation to each audit report's recommendations. The options available are to: accept the initial agency response, with no further action required; seek further written elaboration of steps taken to carry out the report's recommendations; or invite agency representatives to provide more detailed information by appearing at a public hearing.
- 2.3 In the case of the performance audits under current review, the Committee determined that the agency responses and Auditor-General's comments on two of these audits required no further action. The Committee resolved to seek additional written responses to four further audits and to take formal evidence at a public hearing on the remaining four.
- 2.4 For the purposes of this Chapter, set out below is the Committee's consideration of the audit reports which were not deemed to require formal evidence to be taken at a public hearing. The performance audits subject to formal evidence are detailed in subsequent chapters. More comprehensive information about all audits can be found on the NSW Audit Office and Public Accounts Committee's websites.

No action required

Audit Report 276 – Government Advertising 2015-16

- 2.5 The *Government Advertising Act 2011* mandates that government advertising campaigns with a likely cost of over \$50, 000 must be independently peer reviewed before they can be launched. The NSW Government Advertising Guidelines require peer reviews to assess three criteria, namely: if the campaign is needed; if the strategy will be effective; and if overall budget management, procurement and risk have been soundly considered. This process is managed by the Department of Premier and Cabinet (DPC).
- 2.6 The Audit report assessed the effectiveness of the peer review process in providing government with assurance that advertising is necessary and cost effective and found that, overall, the peer review process is sound and positively received. While the Audit identified some deficiencies associated with the Peer Review Workbook and a lack of regular and ongoing feedback to peer reviewers,

the DPC response indicated that the recommendations had been complied with and that consultation was ongoing in relation to the statutory review of the Government Advertising Act. Therefore, the Committee is satisfied that the agency has met its obligations and has no further comment to make.

Audit Report 279 – Assessing major development applications

- 2.7 The Planning Assessment Commission, established as an independent body in 2008 under the *Environmental Planning and Assessment Act 1979*, makes decisions on major development applications. This is done together with the Department of Planning and Environment and the Land and Environment Court. The Department refers development applications to the Commission where: 25 or more community objections have been received; a local council objects to the proposal; or the applicant has donated to a political party.
- 2.8 The Audit assessed the extent to which the Commission's decisions on major development applications are made in a consistent and transparent manner, reflected in sound processes, and ensuring that decisions are free from bias and transparent to stakeholders and the public. The Audit report made several recommendations to enhance transparency in decision making and improve public perception of the independence of Commissioners.
- 2.9 The Auditor-General considered that all recommendations made in the report had been accepted, and satisfactory progress made in implementing the recommendations. The Committee similarly finds that the agency has met its obligations and has no further comment to make.

Additional information requested

Audit Report 275 – Preventing and managing worker injuries

- 2.10 Emergency services agencies are responsible for preventing injury and supporting the physical and mental health of their employees, including being required to make reasonable adjustments for injured workers to return to work.
- 2.11 The Audit assessed how well NSW Police Force and Fire & Rescue NSW prevent worker injuries and manage injured workers returning to work. This included assessing programs designed to promote health and prevent injuries, programs to support injured workers return to work, and workers compensation and death and disability scheme costs and outcomes.
- 2.12 The Auditor-General reported that NSW Police had recently introduced various health promotion and injury prevention programs which are being positively received. However, it was noted that evaluations of these programs are necessary to determine if they should be more broadly rolled out. The Audit also found that NSW Police need to ensure officers have better access to adjusted return to work options.
- 2.13 In relation to Fire & Rescue NSW, the Audit report identified a number of programs to promote health and prevent injuries, but found that most of these were run on voluntary basis. Additionally, the Auditor-General found that these programs do not ensure that all firefighters remain fit for duty.

- 2.14 The Audit report made 5 recommendations to NSW Police addressing program evaluation and assisting local area commands to improve training. Additional recommendations were made to improve return to work options for officers with long-term injuries or illnesses, and to focus on containing the costs of insurance schemes. Fire & Rescue NSW were asked to introduce an ongoing health and fitness assessment, create a comprehensive policy for return to work options, and review the death and disability scheme.
- 2.15 In their responses, the agencies described some ongoing delays in the implementation of several of the recommendations, which was commented on by the Auditor-General as requiring further clarification. Additional written responses to outstanding matters was requested from both agencies and supplied in September 2018.
- 2.16 On the basis of the responses to the additional questions, both agencies have fulfilled the intent of the Audit report recommendations, which has satisfied the Committee's concerns. The responses can be found on the Committee's [website](#).

Audit Report 280 – Building the readiness of the non-government sector for the NDIS

- 2.17 The National Disability Insurance Scheme (NDIS) aims to change the way disability support is provided and received. Responsibility for overseeing the system to support people with disability in New South Wales is transferring from the NSW Government to the National Disability Insurance Agency (NDIA), an independent statutory agency of the Australian Government.
- 2.18 While NDIS trials began in New South Wales in 2013, the full scheme was subsequently introduced in July 2016 and was scheduled to be operating across the State by July 2018. Eligible people with disability would receive individual funding from the NDIA and purchase support from their chosen service providers, rather than being referred to services funded or provided by government. The NSW Government is transferring all disability services it currently provides to the non-government sector.
- 2.19 Approximately 78,000 people received NSW Government-funded disability support in 2015–16, at a cost of around \$3.3 billion. In 2018-19, an estimated 142,000 people will have an individual NDIS support plan, with total funding rising to around \$6.8 billion.
- 2.20 This Audit assessed the effectiveness of the NSW Department of Family and Community Services' (FACS) management of the risks of the NDIS transition, focussing on the Department's work to build the readiness of the non-government sector for the NDIS. Specific reference was made to building capacity to meet the expected increase in demand and supporting disability service providers to improve their capability to deliver NDIS services, in coordination with the Australian Government's NDIS readiness work.
- 2.21 According to the Auditor-General, FACS has managed the transition risks effectively by increasing the overall capacity of the sector and investing in provider capability building initiatives. More work is needed to build the sector's capacity to provide services to people with more complex support needs and to help existing providers complete the successful transition to the NDIS.

- 2.22 The Auditor-General recommended that for the balance of the transition, the Department of Family and Community Services should work with the Australian Government, NDIA and other NSW Government agencies to achieve a number of objectives. These are to:
- identify gaps and develop the capacity of specialist clinical services, focusing on regional and rural areas;
 - continue to implement projects to increase the number of organisations that can support Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities;
 - target remaining capability building assistance to less prepared providers, including via one-to-one support and mentoring in identified areas of weakness; and
 - continue working with the Australian Government and the NDIA to ensure lessons from sector capability programs are shared.
- 2.23 After considering the initial response to the Audit report by the Department of Family and Community Services, the Committee determined that additional information was required to explain how FACS is monitoring gaps in support and how providers can better assist Aboriginal and Torres Strait Islander People. In addition, the Committee sought more information about the assessment of outcomes in capability building, and examples of lessons learned from the experience of the Federal Government and the NDIA.
- 2.24 The Department provided a detailed response on 4 September 2018, addressing the Committee's concerns. The Committee is therefore satisfied that the requirements of the Audit have been addressed. The agency response can be found on the Committee's [website](#).

Audit Report 282 – Contingent workforce: procurement and management

- 2.25 Contingent labour is defined by the NSW Public Service Commission (PSC) as people employed by a recruitment agency and hired by government agencies to provide labour or services. This is usually done to fill a skill or capability gap, or where specialist knowledge is needed on a short-term basis. Government spending on contingent labour has increased over the past five years, from \$503 million in 2011-12 to \$1.1 billion in 2015-16. As a response to this increase, the PSC introduced the Contingent Workforce Renewal Strategy, which aims to increase the effectiveness and efficiency in the use of contingent labour.
- 2.26 This Audit assessed whether the approach of agencies to purchasing and managing their contingent workforce met business needs and delivered value for money. Specifically, the Audit report focussed on the Department of Education, the Department of Industry and Transport for NSW, all of whom are at different stages of the reform.
- 2.27 The Audit concluded that the three agencies were not able to demonstrate that contingent labour is the best resourcing strategy both in terms of business need or value for money. It also found that Industry and Transport have limited

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oversight of their contingent labour workforce, including data collection and general oversight. Additionally, the Auditor-General found that all three agencies did not monitor or report on the performance of their contingent labour workforce.

- 2.28 The Audit report made recommendations regarding the need to ensure that all agencies are effectively implementing policies that fall within the Contingent Workforce Renewal Strategy. This includes: ensuring that all reforms are consistent with workforce planning; assessing and documenting the performance of the contingent workforce; and examining the processes around considering all options prior to re-engaging contingent workers.
- 2.29 The Auditor-General also made specific recommendations directed to Industry and Transport, regarding the accuracy and reliability of its data on contingent labour, as well as the reporting of this information.
- 2.30 Although individual agency responses to the Audit recommendations indicated full support in principle, several of these were subject to delay and reported as being partially complete or lacking final completion dates. On that basis, the Committee requested additional information in writing from all agencies to determine whether the objectives of the Audit had been met.
- 2.31 In their responses, the agencies demonstrated that further action was being taken to fulfil the outstanding recommendations, with final completion dates provided and assurances of full implementation. The Committee is therefore satisfied that the requirements of the Audit have been addressed. The agency responses can be found on the Committee's [website](#).

Audit Report 283 – Therapeutic programs in prisons

- 2.32 Corrective Services NSW (CSNSW) has primary responsibility for the provision of therapeutic programs to people in custodial and community settings. These programs aim to reduce a prisoner's risk of reoffending, and include a range of vocational, educational, supervision, case management and general health and wellbeing services.
- 2.33 Currently in NSW, a significant majority of people convicted of an offence are reconvicted. While it is difficult to quantify the exact costs of reoffending for the community, based on the average cost of a prison stay of approximately \$167 per day, any reduction in the number of reoffenders reduces overall costs.
- 2.34 This Audit assessed whether appropriate therapeutic programs are available, accessible and effective in reducing the risks of reoffending. Overall, the Audit report found that CSNSW does not ensure the timely provision of relevant programs, with most prisoners not accessing a program before their earliest release date. The Audit also found that these programs have not been subject to any systematic performance evaluation to determine their effectiveness.
- 2.35 The Auditor-General made 5 recommendations to enable CSNSW to improve the development and effective monitoring of therapeutic programs. These included a recommendation to improve the systematic use of all relevant data to determine existing gaps in available programs.

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- 2.36 The Audit report also made recommendations about the need to establish resourcing benchmarks, based on each individual prison, to ensure the demand for programs and case management were met, as well as establishing overall performance indicators at the individual prison level. Finally, the Auditor-General recommended that a program of independent evaluations for all therapeutic programs be developed and implemented.
- 2.37 While CSNSW accepted all 5 recommendations, they were variously described as delayed, on track or incomplete. Additionally, the exact status of various roll-outs was unclear, including the benchmarking process, reporting against performance indicators and the evaluation of all therapeutic programs.
- 2.38 The Committee sought further written information to clarify the status of the recommendations and received a response from the Department of Justice and Corrective Services NSW indicating that significant progress had been made to implement the recommendations. On the basis of the additional material provided, the Committee is satisfied that the objectives of the Audit have been met. The agency response can be found on the Committee's [website](#).

Chapter Three – Implementation of the NSW Government's program evaluation initiative

Introduction

- 3.1 In 2012, a report of the NSW Commission of Audit found that the NSW Government did not have a sufficiently rigorous framework to evaluate program outcomes and benefits. As a response to this finding, program evaluation was endorsed as a strategy for improving transparency and to provide an evidence based rationale for programs implemented by agencies. Under this strategy, NSW Treasury and the Department of Premier and Cabinet (DPC) were to have overall visibility of the outcomes of program evaluations across government.
- 3.2 The 2013 program evaluation initiative required agencies to periodically evaluate their programs by prioritisation, based on size, strategic significance and degree of risk, taking account of available capability and resources to conduct evaluations. As part of this initiative, departments prepare a list of the programs which their cluster agencies intend to evaluate in the upcoming financial year. NSW Treasury then collates this information into an annual report through the Expenditure Review Committee of Cabinet (ERC).

The performance audit

- 3.3 The Audit assessed if the program evaluation initiative is being implemented in a consistent way to assist and inform the NSW Government's investment decisions on programs. Particular reference was made to whether the evaluation schedules submitted to ERC met the criteria for program selection and prioritisation as set out in the NSW Government Evaluation Framework and Program Evaluation Guidelines. In addition, an assessment was made about whether the program evaluation initiative met its objective of providing evidence-based information to inform investment decisions that meet NSW Government priorities.
- 3.4 In addition to an assessment of the respective roles of NSW Treasury and the Department of Premier and Cabinet in the program evaluation process, the Audit further examined the systems and evaluation practices of three designated cluster agencies. These were the Industry, Justice and Planning and Environment clusters, selected to determine their adherence to the Evaluation Framework and Guidelines.

Major Audit findings

- 3.5 The Audit found that the NSW Government's program evaluation initiative is largely ineffective, as it is not providing sufficient information to government decision makers on the performance of programs. No data is provided on the performance of programs that have been evaluated, or information is limited to a list of programs being evaluated in the upcoming financial year, with little assurance that these are well targeted. Furthermore, NSW Treasury and DPC are

not using evaluation outcomes to analyse agency funding proposals in their advisory role to the NSW Government.

Auditor-General's recommendations

3.6 The Audit recommended that, by March 2017, the agencies should ensure they implement all elements of a good practice model for preparing cluster evaluation schedules. Additionally, NSW Treasury and DPC should implement a review process to provide assurance that evaluation schedules submitted to ERC meet program evaluation requirements.

3.7 Finally, by August 2017, NSW Treasury should develop an evaluation framework to support the program budgeting and reporting component of the Financial Management Transformation (FMT) program, and ensure the current program evaluation initiative is integrated into the new framework. The recommendations are set out in the following table:

Table 1 - Recommendations made by the Auditor-General in Report No. 277¹

| By March 2017: | |
|-----------------------|---|
| No. | Recommendation |
| 1 | <p>the departments should ensure they implement all elements of the good practice model in Exhibit 3 for preparing cluster evaluation schedules, these being:</p> <ul style="list-style-type: none"> • having an evaluation centre of excellence • ensuring that agency and cluster strategic planning processes align programs and program evaluations to NSW Government priorities • developing a master list of all current cluster agency programs with their tier ranking and linkage to NSW Government priorities • objectively prioritising programs across the cluster for evaluation and inclusion in evaluation schedules, taking account of the department's capacity and capability to conduct evaluations. |
| 2 | <p>NSW Treasury and DPC should:</p> <ol style="list-style-type: none"> a. implement a review process to provide assurance that evaluation schedules submitted to ERC meet program evaluation requirements that include: <ul style="list-style-type: none"> ▪ critically assessing departments' master lists of all cluster agency programs ▪ documenting how they resolve issues raised with departments about the content of evaluation schedules ▪ a transparent mechanism to address unresolved issues raised by NSW Treasury and DPC, including determining accountability for the content of evaluation schedules being referred to ERC. b. amend the current format for submission of the annual evaluation schedule to ERC to provide their analysis of program evaluation activity, and to link programs listed in the evaluation schedule to NSW Government priorities c. implement a process by which they use finalised program evaluation reports, and agency responses, to provide evidence-based advice to the NSW Government on agency funding bids for evaluated programs. |

¹ NSW Auditor-General's Performance Audit Report; Implementation of the NSW Government's program evaluation initiative, November 2016.

Implementation of the NSW Government's program evaluation initiative

| By August 2017: | |
|------------------------|---|
| No. | Recommendation |
| 3 | NSW Treasury should develop an evaluation framework to support the program budgeting and reporting component of the FMT program, and ensure the current program evaluation initiative is integrated into the new framework. |

Agency responses

- 3.8 DPC and Treasury accepted all recommendations and are implementing new processes to improve evaluation practices, in tandem with the phased introduction of the Financial Management Transformation reforms linked to program budgeting. This includes the establishment by Treasury of a NSW Evidence Base to collate all performance information within a new performance management framework.
- 3.9 The other cluster agencies (Industry, Justice and Planning and Environment) also accepted all recommendations and supported the Audit findings.

Auditor-General's comments

- 3.10 In further commentary on the agency responses, the Auditor-General assessed the extent to which the Audit report's recommendations had been adhered to and provided additional advice to the Committee. The Audit Office indicated that, while NSW Treasury has addressed most of the recommendations in the report, more information regarding the whole-of-government Annual Evaluation Schedule would be useful.
- 3.11 The Auditor-General also considered that there was a lack of specificity regarding timeframes for the detailed implementation of recommendations by the Department of Premier and Cabinet and the Department of Justice. In addition, while the Department of Planning and Environment has substantially implemented 3 of the 4 elements of the good practice model, there was a lack of information about how agency strategic processes align with NSW Government priorities.
- 3.12 Similarly, there was a lack of detail provided by the Department of Industry concerning its program evaluation functions, which were transferred to DPC in April 2017. All of the issues raised were followed up at the public hearing, conducted on 17 September 2018.

The Committee's comments

- 3.13 An evidence based approach to policy formulation and outcomes should guide effective decision making. One methodology to achieve this is a rigorous approach to detailed program evaluation. Program evaluation, as referred to in the submission from the Department of Justice, is "a systematic and objective process to make judgments about the merit or worth of one or more programs, usually in relation to their effectiveness, efficiency and appropriateness".²

² Submission, Department of Justice, Attachment p6.

- 3.14 The Committee questioned agency representatives about the extent to which program evaluation adhered to a good practice model and whether existing systems and processes enable the Government to make evidence-based decisions for investment and funding purposes, using available performance information. An identified overall shortcoming was the inability to perform effective cost-effectiveness or cost-benefit evaluations. This was acknowledged to be subject to further consideration by agencies.
- 3.15 In their appearance before the Committee, Departmental witnesses stressed the evolutionary nature of the program evaluation process, which was described as being part of a continuous improvement program. Agencies have established internal processes, including evaluation steering committees, reporting to the Treasury evaluation strategy working group, as a means to align priorities and share expertise and experience.
- 3.16 The Committee endorses the new Treasury directive requiring all program-related submissions to Cabinet to include details about prior evaluations and effectiveness assessments and when the program will be next evaluated or subject to an effectiveness assessment. This is designed to ensure that Cabinet and Cabinet committees have a full suite of evidence on which to base program bids.
- 3.17 The Committee also supports the establishment of the New South Wales Evidence Bank and the systematic collection of evidence provided to Treasury and Cabinet committees. Information contained in a cost-benefit analysis, along with performance reporting from audits can assist in collecting data in a consistent manner across all clusters and improve the quality of evaluations conducted.
- 3.18 It was clear from the evidence provided that program evaluation in Australia is in its infancy and that there is a dearth of programs which have been comprehensively evaluated. As a means to address this shortcoming, increased collaboration between government agencies and universities could harness the joint resources of both sectors and maximise currently untapped resources. The Committee considers this a constructive way to advance program evaluation analysis and practice.

Recommendation 1

The Committee recommends that the NSW Government prioritises the development and refinement of robust methodologies to improve current deficiencies in cost-benefit and cost-effectiveness evaluations for programs across all agencies.

Recommendation 2

The Committee recommends that the NSW Government develops more extensive collaborative research programs with the university sector, to improve and enhance program evaluation methodologies and analytical approaches to measure program outcomes, including cost-benefit and cost-effectiveness evaluations.

Chapter Four – CBD and South East Light Rail Project

Introduction

- 4.1 The Central Business District and South East Light Rail (CSELR) project is a large public transport infrastructure project, with a current estimated capital cost of \$2.1 billion, excluding finance, operational and maintenance costs.
- 4.2 Transport for NSW (TfNSW) was responsible for the planning, procurement and delivery of the CSELR project, in addition to conducting an assurance review under a delegation by Infrastructure NSW applying to all major transport projects between 2011 and 2014. Under this arrangement, TfNSW would use the TfNSW Investment Gating and Assurance Framework, instead of usual Infrastructure NSW processes.
- 4.3 The CSELR project has attracted significant public interest and scrutiny throughout its various stages. The Auditor-General's Performance Audit, and the review of the Audit by the Committee, covers the period from the development of the Sydney Light Rail Strategic Plan, starting in August 2011, to the major construction contract completion in February 2015.

The performance audit

- 4.4 The Audit examined the planning and procurement of the CSELR project, assessing how well TfNSW was able to ensure value for money within the relevant parameters set by the NSW Government, including timeframes for the various project stages. This included an assessment of the assurance reviews undertaken, and whether these were sufficient for a project of its size.
- 4.5 In addition, the Audit looked at the nature of assurances for the planning and governance arrangements, an examination of any changes made to the project scope and cost during this period, and if these changes were justified and ensured value for money.
- 4.6 The scope of the Audit did not include an assessment of the relative merits of the project, or various related policy objectives. It did, however, examine the project in the context of three other large infrastructure audits undertaken by the Audit-Office, namely: WestConnex; Large Construction Projects; and the Albert 'Tibby' Cotter Walkway.

Major audit findings

- 4.7 The Auditor-General found that between 2011 and 2014, TfNSW did not effectively plan and procure the CSELR project to ensure it maximised value for money for the citizens of New South Wales. It concluded that the assurance frameworks put in place were insufficient, and that the planning and governance arrangements were similarly lacking in independent assurance.

- 4.8 The Audit also found that the tight timeframes set for the CSELR project meant that planning was inadequate and normal governance systems were not initially implemented. This resulted in underestimating the costs of the project, and overestimating its benefits.
- 4.9 These issues had ongoing negative impacts, particularly for various third party agreements not finalised at the time the major contract was issued. As a result, this affected the design and the scope, leading to subsequent changes resulting in increased project costs and complexity. The due diligence and probity components of the procurement process were, however, in line with NSW requirements.
- 4.10 The Auditor-General also reported that TfNSW had taken steps to improve the governance and assurance framework, following the planning stages of the CSELR project. This included monthly assessments of any risks to the project's timeframe and costs, as well as strengthened external oversight. TfNSW confirmed to the Audit-Office that all but one of the outstanding third party agreements had been finalised by October 2016.

Auditor-General's recommendations

- 4.11 The Auditor-General made 2 recommendations to Transport for NSW (TfNSW): the first to be implemented by December 2016; and the second to be implemented on an ongoing basis, as follows:

Table 2 - Recommendations made by the Auditor-General in Report No. 278³

| No. | Recommendation |
|-----|--|
| 1. | For the CSELR project, Transport for NSW should, by December 2016: <ol style="list-style-type: none"> a) Finalise outstanding design and scope issues b) Ask the project Advisory Board to confirm that controls over the budget and use of contingency funds are consistent with NSW Government decisions and NSW Treasury guidelines c) Update and consolidate information about project costs and benefits and ensure that it is readily accessible to the public d) Ensure that the Sydney Light Rail Project Director provides six-monthly briefings to the TfNSW Audit and Risk Committee. |
| 2. | For all capital projects, Transport for NSW, should comply with the Infrastructure Investor Assurance Framework. |

Agency response

- 4.12 The Committee received a response from Transport for NSW accepting both Audit recommendations, stating that implementation of the first recommendation had been completed in December 2016, with the second recommendation being implemented on an ongoing basis.
- 4.13 Transport for NSW confirmed that all outstanding design and scope issues had been finalised and all previous outstanding agreements had been agreed to.⁴ In

³ NSW Auditor-General's Performance Audit Report; CBD and South East Light Rail Project, November 2016

⁴ Submission No. 9, Transport for NSW.

addition, TfNSW told the Committee that the Project Advisory Board had formally confirmed that controls over budget and the use of contingency funds are consistent with NSW Government decisions and NSW Treasury guidelines.

4.14 TfNSW outlined how information regarding project costs and benefits have been made publicly available. The agency referred the Committee to their public website, noting that the benefit-cost ratio (BCR) has been published following the Audit-Office's recommendations.

4.15 Transport for NSW also cited the Sydney Light Rail Facebook page as another platform used to communicate project benefits to the public. It was noted that the Light Rail Project Director provides six-monthly updates to the TfNSW Audit and Risk Committee, with briefings undertaken in March 2017 and September 2017.

4.16 Responding to recommendation 2, TfNSW stated that the agency was now fully compliant with the Infrastructure Investor Assurance Framework, noting that this had been confirmed by the CEO of Infrastructure NSW.

4.17 At the public hearing, representatives from TfNSW were asked to provide more information about the implementation of the Audit recommendations. TfNSW confirmed that the scope of the project and all third party agreements had been finalised by the end of 2016.

4.18 In further discussion about ongoing changes being made to the design of the project, the Deputy Secretary, Infrastructure and Services, told the Committee that:

...There are minor bits of design that change all the time...That is very minor; it is design detail. So there is design still ongoing but it is of a very, very minor nature. It really depends on what we find as we go through putting light foundations in and a few other little bits of utilities are not quite where they are meant to be. So it is minor design stuff really, it is not major scope determination.⁵

4.19 While TfNSW referred to approximately 45 modifications to the project, with the majority having been finalised, the Committee was told that several of these modifications are currently subject to disputation about the costs involved. TfNSW was unable to provide precise details about the precise number or nature of outstanding modifications, citing commercial-in-confidence provisions.

4.20 In response to the Committee's questions regarding the accuracy of the information TfNSW makes publicly available, it was confirmed that the stated cost of \$2.1 billion, provided at the end of December 2014, remains unchanged. Similarly, the benefit-cost ratio (BCR) of 1.4, was also asserted not to have changed since the time of the Audit.

4.21 When asked about how frequently information was updated, and the current validity of the data supporting the BCR, the Coordinator General told the Committee that:

⁵ Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, Transport for NSW, Transcript of evidence, 17 September 2018, p.12.

..The 1.4BCR is actually based on the \$2.1 billion, so it is the latest figure given we are still working towards the \$2.1 billion.⁶

- 4.22 Representatives of TfNSW told the Committee about additional likely benefits of the project, not accounted for at the time the current BCR of 1.4 was calculated, noting that:

I do not think it has been updated as a BCR since the original data... There is quite a lot that has changed assumptions-wise. There is a lot of significant development occurring, particularly around the Randwick area – a lot more than I think was originally planned. There would be quite a lot of change to that BCR because of the benefits, but we have not done that work at this point in time.⁷

- 4.23 During the hearing, TfNSW was asked to provide more details regarding recent changes in approach for projects of this size, particularly for planning and governance. The Coordinator General told the Committee that:

Assurance processes have been refined and we have adapted in line with that refinement. Infrastructure NSW plays a far stronger role and we go through all of those processes for any transport project.⁸

- 4.24 TfNSW reiterated that 'the project assurance undertaken at that time was all done in accordance with agreements with government'⁹. However, it was also noted that TfNSW have committed to ongoing project reviews, and more significant involvement with Infrastructure NSW for future projects.

Auditor-General's comments

- 4.25 The Auditor-General, Ms Margaret Crawford, Deputy Auditor-General, Mr Ian Goodwin, and Assistant Auditor-General, Ms Claudia Migotto attended the public hearing and supplemented the evidence given by TfNSW. On 13 June 2018, the Audit Office provided a further response to the submissions made by agencies.

- 4.26 In its response, the Audit-Office noted that, despite the assertion made by TfNSW that the recommendations had been implemented, it was difficult to verify this advice. This was due to the lack of detail provided by TfNSW about specific action taken to implement individual recommendations, resulting in an inability to provide accurate feedback.

- 4.27 The Audit-Office did, however, comment on the implementation of recommendation 1 (c). This involved TfNSW updating and consolidating information about project costs and benefits and making sure this information is made readily available to the public. It was noted that the overall project cost and the BCR had not been revised since 2014, despite changes to variables including

⁶ Ms Margaret Prendergast, Coordinator General, Transport Coordinator, Transport for NSW, Transcript of evidence, 17 September 2018, p.14.

⁷ Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, Transport for NSW, Transcript of evidence, 17 September 2018, p.14.

⁸ Ms Margaret Prendergast, Coordinator General, Transport Coordinator, Transport for NSW, Transcript of evidence, 17 September 2018, p.15.

⁹ Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, Transport for NSW, Transcript of evidence, 17 September 2018, p.15.

cost increases, contractor disputes and general delays. The Audit-Office indicated that as some of the project's contingency funds had been used for early scope changes, more detailed information about the cost of the project and the cost of any changes should be provided.

- 4.28 At the public hearing, the Auditor-General commented on planning and procurement changes made by TfNSW following the Audit, stating that:

Our report noted that... Transport for NSW at the time was authorised to manage the assurance over this project. The audit, though, did comment that two steps in the approved process were missed at the time, one being the preliminary business case and the second being a gateway review at the early strategic assessment stage... Since then, the arrangements have changed and Infrastructure NSW does provide the assurance over the project as opposed to Transport doing it for itself.¹⁰

Committee comments

- 4.29 The Committee supports the efforts made by Transport for NSW to improve their assurance processes for projects of this size, and encourages the ongoing engagement with Infrastructure NSW on all large projects.
- 4.30 The Committee also notes the regularity with which the Project Director provides updates to the internal Audit and Risk Committee, and welcomes improvements made to project oversight and accountability.
- 4.31 However, there remain concerns about the currency of the public information made available for the project. Specifically, the Committee notes that the BCR for the project has not been re-calculated since 2014. Given the various changes to the project and the underlying assumptions factored into this figure, it is likely that the BCR is no longer a reliable indicator.
- 4.32 The Committee also notes that there are uncertainties regarding additional modifications to the project. TfNSW representatives indicated that any remaining changes are minor, and any ongoing disputes relate to the cost of modifications, not the modifications themselves. As the answers to any direct questions regarding such modifications were flagged as commercial-in-confidence, the Committee is unable to state with certainty if this is the case.
- 4.33 The paucity of detailed information provided in additional responses to questions taken on notice by TfNSW witnesses about a range of financial and project management information raises significant concerns about the current state of the project. The response can be accessed at [QoN](#). The Committee does not think this lack of transparency assists in maintaining public confidence in the project and its effective completion.
- 4.34 This is supported by comments made by the Auditor-Office, who stated that they were unable to verify the implementation of their recommendations due to the limited level of detail provided by TfNSW. While the Committee understands the importance of ensuring sensitive commercial information is not publicly released,

¹⁰ Ms Margaret Crawford, Auditor-General, Audit Office of NSW, Transcript of evidence, 17 September 2018, p.18.

this makes it extremely difficult to ascertain the accuracy of information provided by TfNSW regarding this Audit.

- 4.35 The Committee sees merit in increasing the transparency and accountability of information relating to the Audit in order to reassure the public that it provides an effective and efficient use of public resources.

Recommendation 3

The Committee recommends that Transport for NSW undertakes a new benefit-cost ratio analysis for the CBD and South East Light Rail project, factoring in all currently available information and providing detailed information about the basis for its analysis.

Recommendation 4

The Committee recommends that the NSW Government develops and releases guidelines for the determination of information classified as commercial-in-confidence, and a rationale for its application to individual projects.

Recommendation 5

The Committee recommends that the Auditor-General considers undertaking a follow-up Audit of the CBD and South East Light Rail project as part of the forward performance audit program.

Chapter Five – Passenger Rail Punctuality

Introduction

- 5.1 Improving and maintaining the reliability of public transport services is a key priority of the NSW Government. The train network, as an essential component of the public transport mix, relies on the efficiency of trains to meet Sydney's public transport needs, with rail punctuality being critical to the overall reliability of the system.
- 5.2 Increased patronage is one of the major factors contributing to delays. Passenger overcrowding often results in an increase in the time taken for passengers to board and alight from trains, causing greater than scheduled waiting times and subsequent delays. This is particularly significant for this Audit, due to the NSW Long Term Transport Master Plan forecast that rail patronage could increase by 26 percent between 2012 and 2031.
- 5.3 Passenger rail in NSW is provided under a purchaser-provider model, whereby Transport for NSW enters into contracts with Sydney Trains for Sydney suburban passenger rail services and NSW Trains for services that commence or terminate outside Sydney. Transport for NSW sets performance targets and standards for these services, develops the timetables, procures trains for the service providers, and is responsible for long term planning.

The performance audit

- 5.4 The Audit examined whether Sydney Trains and NSW Trains have plans and strategies to maintain or improve service punctuality performance, specifically taking into account increasing patronage.

Major audit findings

- 5.5 The Audit found that rail agencies are well placed to manage the projected passenger growth until 2019, including joining the Sydney Metro Northwest to the network at Chatswood. However, based on current forecasts, rail agencies will be unlikely to maintain punctuality after 2019, unless the capacity of the network is significantly increased.
- 5.6 While Transport for NSW has developed various strategies aimed at increasing network capacity, no costed plan has been put to government. As a consequence, there is a significant risk that required levels of investment will not be made in time to manage increased passenger numbers.

Auditor-General's recommendations

- 5.7 The Auditor-General made six recommendations to Transport for NSW, Sydney Trains and NSW Trains, as follows:

Table 3 - Recommendations made by the Auditor-General in Report No. 281¹¹

| No. | Recommendation |
|-----|---|
| 1. | Transport for NSW should ensure that programs to address rail patronage growth over the next five to ten years are provided to the government for Cabinet consideration as soon as possible. |
| 2. | Sydney Trains and Transport for NSW should: <ul style="list-style-type: none"> a) maintain effective oversight and resourcing for all strategies designed to address rail patronage growth b) adjust strategies for any patronage growth above projection. |
| 3. | Sydney Trains, NSW Trains and Transport for NSW should publish Customer Delay results by June 2018. |
| 4. | <ul style="list-style-type: none"> a) Transport for NSW, Sydney Trains and NSW Trains should agree by December 2017: <ul style="list-style-type: none"> a) specific performance requirements for intercity train, track and signal availability and reliability b) guidelines for train priorities during disruptions and indicators of control centre performance in implementing these guidelines. |
| 5. | Sydney Trains, NSW Trains and Transport for NSW should by June 2018: <ul style="list-style-type: none"> a) improve the accuracy of patronage measurement and develop a better understanding of patronage growth trends b) address small errors in the adjustment factors used for determining a train's punctuality status c) improve their understanding of the factors impacting on intercity punctuality. |
| 6. | Transport for NSW should, commencing June 2017, explore the potential to use behavioural insights to encourage more passengers to travel outside the height of the morning peak (8 am to 9 am). |

Agency responses

5.8 The Committee received a joint response from Transport for NSW (TfNSW), Sydney Trains and NSW Trains, accepting all six recommendations and describing some as on track and others as completed.

5.9 In response to recommendation 1, TfNSW indicated that they are:

Developing programs to unlock capacity in the existing heavy rail network to address urgent capacity constraints on the existing electrified suburban and intercity heavy rail networks to meet projected customer demand.¹²

5.10 TfNSW stated that these programs are being developed as part of Future Transport 2056, a 40 year directions and outcomes framework. It was also noted that 'programs to address patronage growth will be announced as they are developed and approved'.¹³

¹¹ NSW Auditor-General's Performance Audit Report; Passenger Rail Punctuality, April 2017

¹² Submission No. 12, Transport for NSW, Sydney Trains, NSW Trains, p.6.

¹³ Submission No. 12, Transport for NSW, Sydney Trains, NSW Trains, p.1.

- 5.11 In its response to supplementary questions, TfNSW provided more details about program implementation following the Audit. TfNSW described the November 2017 timetable changes as the 'largest increase in capacity ever introduced on the Sydney train network at one time'¹⁴. These changes provided approximately 1500 extra services for passengers.
- 5.12 On 10 June 2018, TfNSW announced the next stage of 'More Trains, More Services', designed to 'investigate upgrades to parts of the network with world-class technology to create high capacity, turn up and go services for many customers'.¹⁵ These programs are still in the investigatory and development stages, and have not been finalised.
- 5.13 In response to recommendation 2, TfNSW advised that the Infrastructure and Services Innovation and Planning Committee (ISIPC) has responsibility for the oversight of program development. The Committee meets monthly and has 'oversight of all projects and initiatives in development... to ensure alignment with Government and Transport for NSW's strategic objectives'.¹⁶
- 5.14 TfNSW also advised that it was developing an 'ongoing review process to ensure patronage growth is monitored and strategies addressed accordingly'.¹⁷ In supplementary material, the Committee was advised that this process is currently operational and uses Opal data, observations and modelling to make adjustments and refinements to rail services.
- 5.15 Audit recommendation 3 required all rail agencies to publish Customer Delay results by June 2018. In its initial response, TfNSW noted that it was still investigating the best way to achieve this.
- 5.16 Supplementary material provided to the Committee advised that 'Customer On-Time' information for Sydney Trains is being made publicly available. This measure represents the 'percentage of customers who arrive at their destination within five minutes of their planned arrival time'¹⁸. No such measure is currently being published for NSW Trains services.
- 5.17 The agency responses to recommendation 4 indicated that key performance indicators (KPIs) had been included in all current rail services contracts, and were developed 'collaboratively by Transport for NSW and RailCorp staff representing the interests of the new agencies'.¹⁹ TfNSW advised that these KPIs will be reviewed as part of the next NSW Trains Rail Services Contract negotiation, which will commence at the end of 2018. When this has been completed, a range of these KPIs will be made publicly available.
- 5.18 As part of this recommendation, the Audit report also recommended that indicators of control centre performance be developed to determine how

¹⁴ Answers to Supplementary Questions, provided by Transport for NSW 28 September 2018, p.1.

¹⁵ Answers to Supplementary Questions, provided by Transport for NSW 28 September 2018, p.1.

¹⁶ Answers to Supplementary Questions, provided by Transport for NSW 28 September 2018, p.2.

¹⁷ Submission No. 12, Transport for NSW, Sydney Trains, NSW Trains, p.2.

¹⁸ Answers to Supplementary Questions, provided by Transport for NSW 28 September 2018, p.1.

¹⁹ Answers to Supplementary Questions, provided by Transport for NSW 28 September 2018, p.7.

effectively guidelines for train priorities during disruptions had been implemented. In its response, TfNSW noted that there was ongoing work to ensure compliance with the Operations Protocol. In supplementary material, TfNSW indicated that there are currently no performance indicators to measure compliance, but this will be considered following the introduction of the Rail Operations Centre in late 2018.

- 5.19 In its response to recommendation 6, TfNSW referred to the Travel Choices program, which provides behavioural insights and monitors travel patterns with the aim of encouraging more passengers to travel outside the morning peak. TfNSW highlighted a decrease in vehicles entering the Sydney CBD during the morning peak, as well as a shift to travel outside peak hours²⁰.

Auditor-General's comments

- 5.20 The Auditor-General, Ms Margaret Crawford, Deputy Auditor-General, Mr Ian Goodwin, and Assistant Auditor-General, Ms Claudia Migotto attended the public hearing and supplemented the evidence given by TfNSW. On 20 June 2018, the Audit Office also provided written feedback on the submissions made by agencies.

- 5.21 The Audit Office noted that while the response by TfNSW made reference to its Future Transport Strategy 2056, it was not clear which programs had been submitted to Cabinet to address rail patronage growth in the medium-to long term. This was followed up by the Committee, with TfNSW stating that:

We have completed the medium-term rail level plan, which covers the next 10 years. This was taken up to Cabinet and approved late last year...We have got a final business case going to Cabinet towards the end of this year for approval for More Trains, More Services stage two, which will cover essentially the next four to give year's work on the network to upgrade the network. That is a final business case that will go in this year to Cabinet.²¹

- 5.22 In its comments on recommendation 2, the Audit Office indicated that it would benefit from knowing how TfNSW will ensure that its review process (examining variance between forecast and actual patronage growth), will lead to a modification of agency strategies. While TfNSW indicated in supplementary material that this is being done, limited detail was provided about the process behind this or any subsequent oversight.

- 5.23 The Audit Office raised some concerns about timelines for recommendation 5, noting that TfNSW will not be finalising operations protocols and subsequent compliance across the network until late 2018. This was confirmed by TfNSW in supplementary material provided to the Committee.

- 5.24 In responding to recommendation 6, the Audit-Office noted that it would be valuable for TfNSW to provide more information on the impacts and influences of the Travel Choices Program.

²⁰ Answers to Supplementary Questions, provided by Transport for NSW 28 September 2018, p.13.

²¹ Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, Transport for NSW, Transcript of evidence, 17 September 2018, p.21.

Committee comments

- 5.25 The Committee welcomes the significant work undertaken by Transport for NSW (TfNSW), Sydney Trains and NSW Trains in planning for the forecast increase in patronage across the network. The Committee notes particularly the 'More Trains, More Services' strategy, and the implementation of Stage One along with the timetable increases in late 2017.
- 5.26 The Committee also appreciates the additional level of detail provided in supplementary material, which outlines the actions that are currently being investigated to be implemented under Stage Two of 'More Trains, More Services'.
- 5.27 It is clear to the Committee that all rail agencies are committed to developing programs that will respond to the forecast patronage increases and the need to significantly expand the capacity of the network.
- 5.28 The Committee reiterates the concerns set out in the Audit regarding the significant risks of the network not maintaining punctuality targets in the medium to long term. While it is clear that rail agencies have started to address this and have begun to implement various remedial programs, the Committee notes that at the time of the inquiry, Stage Two of 'More Trains, More Services' had not been approved by Cabinet.
- 5.29 Given the risks associated with a lack of future capacity of the network, the Committee is of the view that having this plan ready for approval and implementation as soon as is practicable, is an urgent imperative.
- 5.30 As a means to better reflect the customer experience of system delays, the Customer Delay Measure included in both Rail Service Contracts provides a more useful representation of the efficiency of the journey from the passenger perspective. For this reason, the Committee urges TfNSW to expedite its publication as a customer outcome measure and to enable valid comparisons between differing modes of transport.
- 5.31 The Committee also notes the work being done by TfNSW under the Travel Choices Program, and commends the innovative use of behavioural insights to encourage more passengers to travel outside the morning peak.
- 5.32 Notwithstanding the work already done on the impacts of this program in changing travel habits, it would be beneficial to see a more detailed breakdown of the data. To cite an example from the material provided, it is not possible to determine the impact of an overall increase in passengers on the increase of passengers travelling at certain times.

Recommendation 6

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains finalise Phase Two of the 'More Trains, More Services' program, for approval by Cabinet as a matter of urgency.

Recommendation 7

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains make a redacted version of Phase Two of the 'More Trains, More Services' program available to the public following approval.

Recommendation 8

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains publish the Customer Delay Measure as soon as practicable as a means by which to provide a public record of delays experienced by customers.

Recommendation 9

The Committee recommends that by June 2019, Transport for NSW, Sydney Trains and NSW Trains introduce performance indicators to measure the compliance of rail agencies with the Operations Protocol.

Recommendation 10

The Committee recommends that Transport for NSW, Sydney Trains and NSW Trains collect more detailed data on the impact of the Travel Choices Program, to better document and explain its impact on passenger behaviour and to drive future efficiencies.

Chapter Six – Planning for school infrastructure

Introduction

- 6.1 The student population in NSW Government and non-government schools is projected to grow by 21 per cent to nearly 1.5 million students over the next 15 years, with over 80 per cent of this growth expected to be in the Sydney metropolitan area. According to the Audit Office, the last decade has seen chronic underinvestment in NSW government school infrastructure and significant deficiencies in asset planning.
- 6.2 In response to this historical infrastructure underinvestment, the NSW Department of Education has developed a School Assets Strategic Plan. The Strategic Plan responds to current and projected student population increases, which have resulted in over-crowded classrooms and the use of demountables. The Audit Office noted that the Strategic Plan has been developed with the benefit of expert advice and extensively reviewed within the Department, as well as by other key government agencies and experts.²²
- 6.3 The Strategic Plan takes account of the following criteria:
- (i) The predicted demand for future learning spaces;
 - (ii) The condition of existing infrastructure and additional infrastructure and maintenance required;
 - (iii) The proposed new initiatives to deliver the required infrastructure economically;
 - (iv) The proposed new cluster planning model to determine priorities and initiatives to be implemented at the school level and;
 - (v) The funding needed to provide appropriate learning spaces where and when needed.
- 6.4 As a means of overcoming the Audit's identified shortcomings in infrastructure provision, the Department has sought to minimise costs while maintaining quality. A number of initiatives have been proposed, including: increasing the maximum number of students in new and redeveloped schools; a stronger emphasis on redeveloping existing schools; smaller but more intensely developed school sites; strengthening partnerships with the private sector to improve school assets; and school consolidation and sale of land to reinvest into better facilities.²³

²² NSW Auditor-General's Performance Audit Report, Planning for school infrastructure, May 2017, p.3.

²³ NSW Auditor-General's Performance Audit Report, Planning for school infrastructure, May 2017, p.3.

The performance audit

- 6.5 The Audit assessed whether the NSW Department of Education has a strategy and implementation model to ensure that it is able to provide learning spaces that are fit-for-purpose, and will be provided in the right locations at the right time.

Major audit findings

- 6.6 The Auditor-General supported the development of a School Assets Strategic Plan, noting that the Plan covered relevant issues and benefitted from the expert input and independent validation of assumptions, proposed solutions and likely costs. In acknowledging the benefits of the Plan, the Audit Office also highlighted major challenges associated with its implementation, requiring effective collaboration with other government agencies, non-government schools, the private sector and the community.
- 6.7 Factors identified as impacting on the cost of implementing the Plan included: opposition from school communities; a reduction in the proportion of students educated in non-government schools; unexpected increases in land and construction costs; failure to sufficiently streamline the planning approval system; and a blow-out in renovation costs in older schools.
- 6.8 In addition, the Audit Office noted that there are controversial aspects of the Plan to be addressed by the community, including increasing maximum numbers of students in schools and changing and enforcing school catchments. Given their potentially confrontational nature, the Audit Office stressed the importance of community engagement during the implementation of the Strategic Plan.
- 6.9 At the time of the Audit, the Department had a four-year capital planning limit, restricting Departmental control and certainty over future funding. As the estimated cost of the infrastructure associated with the Plan exceeds the NSW Department of Education's usual four year funding cycle, this could result in uncertainties surrounding planning for a school without the required funding to complete a project.

Auditor-General's recommendations

- 6.10 The Audit Office made eight recommendations and detailed how the Department of Education could minimise risk and execute the Strategic Plan effectively and efficiently, including: regularly reviewing and updating the Strategic Plan; working with NSW Treasury to develop a framework on how to engage with the private sector; and seeking a ten-year capital planning limit from NSW Treasury.
- 6.11 Additionally, the Auditor-General recommended that the Department of Education consults and collaborates widely to implement the Plan, involving communities, local government, the private sector and other government agencies.
- 6.12 Finally, the Department of Education should publish detailed information on the status of assets, enrolments, and planned school projects to increase transparency and support collaboration.

6.13 The recommendations are provided in the following table:

Table 4 - Recommendations made by the Auditor-General in Report No. 284²⁴

| The NSW Department of Education should: | |
|--|--|
| No. | Recommendation |
| 1 | regularly revisit and evaluate the Strategic Plan to keep it contemporary, refine it based on learnings, update cost estimates to reflect actual results, and respond to available funding |
| 2 | work with NSW Treasury to develop a framework for partnering with the private sector |
| 3 | align Total Asset Management plans with cluster plans as they are developed |
| 4 | closely consult and collaborate with communities on implementation of the Strategic Plan |
| 5 | continue to collaborate with key government agencies, local government, the non-government school sector and the private sector on implementation of the Strategic Plan |
| 6 | publish detailed information on the status of assets, current and projected enrolments, and planned school projects to support effective consultation and collaboration |
| 7 | seek a ten-year capital planning limit from NSW Treasury |
| 8 | advise the government on options to change operational policies and practices to reduce infrastructure requirements. |

Agency response

6.14 In its written response, the NSW Department of Education (DoE) accepted all eight recommendations, with one recommendation noted as complete, and the remaining seven cited as being ongoing.

6.15 DoE accepted recommendation 7, noting that a 10 Year Capital Planning Limit (CPL) had been created, to be reviewed as part of each year's NSW Treasury budget review. In response to recommendation 1, the Department noted that the next review of the Strategic Plan would be updated and aligned with the revised 2018 State Infrastructure Strategy.

6.16 As a response to recommendation 2, DoE has established a joint working party with NSW Treasury and prepared a Preliminary Delivery Strategy to identify the appropriate methodologies to deliver infrastructure. School Infrastructure NSW (SINSW) is continuing to investigate alternative procurement options.

6.17 In responding to recommendations 4 and 5, DoE acknowledged the importance of close consultation and collaboration with other agencies and the community. The Department reported that it was in the process of developing a number of communication strategies related to the School Asset Strategic Plan (SASP). In addition, DoE also noted the creation of Memorandums of Understanding between SINSW, the Department of Planning and Environment and a number of local councils to facilitate engagement and collaboration on the Strategic Plan.

²⁴ NSW Auditor-General's Performance Audit Report, Planning for school infrastructure, May 2017

- 6.18 In response to recommendation 6, DoE noted that while further information may be added to the SINSW website as needed, the current website allows communities to access information on projects and schools in their local area.²⁵
- 6.19 Additional detailed information can be accessed at [response](#).

Auditor-General's comments

- 6.20 While generally supportive of the Departmental response to the recommendations, the Audit Office considered that more information was required about developments in several areas. This included the progress made by the DoE in collaborating with other agencies, as well as its consideration of various policy changes and investigations into additional options to reduce infrastructure requirements. The Audit Office also noted that the Department has not published information regarding school assets and enrolments as recommended.
- 6.21 Given the extensive nature of the Strategic Plan, the Auditor-General emphasised that the Department of Education must work closely with local government, the non-government school sector, Office of Strategic Lands and Property NSW to reduce the cost of purchasing land for new schools.
- 6.22 The Auditor-General noted that DoE has accepted recommendation 8 to investigate options to change the operational policies and practices to reduce infrastructure requirements. No information has been provided, however, about the research, consultation or timeframes for investigating additional options to reduce infrastructure requirements.

The Committee's comments

- 6.23 The Committee welcomes the progress being made by the NSW Department of Education to establish a framework to implement and deliver the School Assets Strategic Plan (SASP). The establishment of a Strategic Engagement Forum including the Department of Premier and Cabinet, Infrastructure NSW and NSW Treasury, will assist in the delivery of the Strategic Plan.
- 6.24 Additionally, the Committee notes that the DoE has consulted widely with relevant departments and agencies such as the Department of Planning and Environment, the Greater Sydney Commission and UrbanGrowth in order to develop and implement the SASP.
- 6.25 The DoE reported that as a result of reviewing and re-evaluating the SASP, it has learnt a great deal about project planning processes and project delivery capability. This includes robust budgeting and other strategies to enable it to plan comprehensively across the whole development, rather than on a partial basis.
- 6.26 The Department has also worked extensively on its communication and engagement program with local communities, using various strategies such as drop-in conversations and community forums. As well as the school community

²⁵ Submission 17 – NSW Department of Education p.4.

itself, this includes the community residing immediately around the school without having children attending the school.

6.27 The Committee also welcomes the provision of additional information on the School Infrastructure NSW website. The Department has completed a substantial update of the website, including a rationale for how the Department makes determinations about the nature of the information, including current assets, to be published.

6.28 The Committee is pleased that the NSW Department of Education has been provided with an interim 10 year funding program, reviewed as part of the Budget each year, to provide more certainty for the implementation of the Strategic Plan. The Department has provided an assurance that it has robust budgeting for projects to ensure they have contingencies on projects to manage risk.

Recommendation 11

The Committee recommends that the NSW Department of Education provides a progress report to the Committee by July 2019 on how the Department has implemented the School Assets Strategic Plan for each catchment and for individual projects within each catchment.

Recommendation 12

The Committee recommends that the NSW Department of Education provides measures and indicators for current and future projects to document how the Department will manage contingencies within their framework for the implementation of the School Assets Strategic Plan.

Recommendation 13

The Committee recommends that the NSW Department of Education continues to investigate policy options to reduce infrastructure requirements and provides a progress report on its implementation of new and existing policies and practices to reduce infrastructure requirements for each respective school catchment.

Recommendation 14

The Committee recommends that the NSW Department of Education publishes detailed information on the status of assets and current and projected enrolments to provide transparency and encourage more effective consultation and collaboration with the broader community.

Appendix One – Submissions

1. Fire and Rescue NSW
2. NSW Police Force
3. Department of Premier and Cabinet
4. NSW Treasury
5. Department of Industry
6. Department of Planning and Environment
7. Department of Premier and Cabinet
8. Department of Justice
9. Transport for NSW
10. Planning Assessment Commission
11. Department of Family and Community Services
12. Transport for NSW
13. Department of Industry
14. Transport for NSW
15. NSW Department of Education
16. Corrective Services NSW
17. NSW Department of Education

Appendix Two – Witnesses

- Mr Ben Gales, Executive Director, Economic Strategy Division, NSW Treasury
- Mr Simon Officer, Chief Financial & Operating Officer, Department of Planning and Environment
- Mr John Haswell, Executive Director, Justice Performance and Assurance, Department of Justice
- Dr Don Weatherburn, Director, NSW Bureau of Crime Statistics and Research, Department of Justice
- Mr Wayne Evans, Executive Director, Corporate and Ministerial Services Branch, NSW Treasury
- Mr David Buckland, Manager, Program Evaluation, Department of Industry
- Ms Michelle Sloane OAM, Executive Director, Strategy, Department of Industry
- Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, Transport for NSW
- Ms Margaret Prendergast, Coordinator General, Transport Coordinator, Transport for NSW
- Mr Tony Braxton-Smith, Deputy Secretary, Customer Services, Transport for NSW
- Mr Howard Collins, Chief Executive, Sydney Trains and Acting Chief Executive, NSW TrainLink
- Mr Anthony Manning, Chief Executive, NSW Department of Education
- Ms Margaret Crawford, Auditor-General, Audit Office of New South Wales
- Mr Ian Goodwin, Deputy Auditor-General, Audit Office of New South Wales
- Ms Claudia Migotto, Assistant Auditor-General, Performance Audit, Audit Office of New South Wales

Appendix Three – Extracts from Minutes

MINUTES OF MEETING No. 41

21 June 2018

9.17am

Room 1254, Parliament House

Members Present

Mr Bruce Notley-Smith (Chair), Mr Mark Taylor (Deputy Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Greg Piper.

Staff in attendance: Elaine Schofield, Bjarne Nordin, Madeleine Dowd, Ze Nan Ma, Derya Sekmen.

1. Apologies

Mr Ryan Park.

2. Confirmation of Minutes

Resolved, on the motion of Mr Bromhead, that the minutes of meeting No. 40, held on 7 June 2018, be confirmed.

3. ***

4. ***

5. Examination of the Auditor-General's Performance Audit Reports October 2016 – May 2017

a) Recommendation for follow-up of agencies

Resolved, on the motion of Mr Taylor, that the Committee adopts the action proposed for performance audits 275-284.

b) Public hearing

Resolved, on the motion of Mr Taylor, that:

- The Committee confirms that the public hearing will be conducted at Parliament House on 17 September 2018.
- The Committee invites selected organisations on the proposed witness list to appear as witnesses at the public hearing on 17 September 2018.
- The Committee receives and authorises the publication of submissions received, with personal details redacted as appropriate, and orders that they be placed on the Parliament's website.

Resolved, on the motion of Mr Evans, that the Committee adopts the following standard resolutions for the conduct of the public hearing:

- That the Committee permits audio-visual recording, photography and broadcasting of the public hearing.
- That the corrected transcript of evidence given on 17 September 2018 be authorised for publication and uploaded on the Committee's website.
- That witnesses be requested to return answers to questions taken on notice and any further questions within 5 days of the date on which the questions are forwarded to the witness, and that once received, answers be published on the Committee's website.
- That documents tendered during the public hearing be accepted by the Committee and published on the Committee's website.

6. ***

7. ***

8. Next meeting

The Committee adjourned at 10.00am until 9.15, Thursday 16 August 2018 in Room 1254.

MINUTES OF MEETING No. 42

16 August 2018

9.16am, Room 1254, Parliament House

Members Present

Mr Bruce Notley-Smith (Chair), Mr Mark Taylor (Deputy Chair), Mr Stephen Bromhead, Mr Greg Piper.

Staff in attendance: Elaine Schofield, Bjarne Nordin, Madeleine Dowd, Ze Nan Ma, Derya Sekmen.

1. Apologies

Mr Lee Evans, Mr Ryan Park.

2. Confirmation of Minutes

Resolved, on the motion of Mr Piper, that the minutes of meeting No. 41, held on 21 June 2018, be confirmed.

3. ***

4. ***

5. ***

6. Examination of the Auditor-General's Performance Audit Reports October 2016 – May 2017

The Committee was updated on arrangements and scheduling for the public hearing on 17 September 2018.

7. ***

8. ***

9. Next meeting

The Committee adjourned at 10.10am until 8.30am, Thursday 17 September in the Macquarie Room, Parliament House.

MINUTES OF MEETING No. 43

17 September 2018

8:31am, Macquarie Room, Parliament House

Members Present

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Greg Piper.

Staff in attendance: Bjarne Nordin, Madeleine Dowd, Ze Nan Ma, Derya Sekmen.

1. Apologies

Mr Ryan Park.

2. Membership

The Committee noted the appointment of Mr Mark Taylor as Parliamentary Secretary, effective from 14 August 2018, resulting in the cessation of his Committee membership in accordance with s54(5)(b) of the *Public Finance and Audit Act 1983*.

3. ****

4. Examination of the Auditor-General's Performance Audit Reports October 2016 – May 2017

The Committee was joined by the Auditor-General, Ms Margaret Crawford, Deputy Auditor-General, Mr Ian Goodwin and Assistant Auditor-General, Performance Audit, Ms Claudia Migotto, who briefed the Committee on the performance audit reports being examined at the public hearing.

5. Next meeting

The Committee adjourned at 9.15am to conduct a public hearing commencing at 9.30am.

MINUTES OF MEETING No. 44

17 September 2018

9:30am, Macquarie Room, Parliament House

Members Present

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Ryan Park, Mr Greg Piper.

Staff in attendance: Bjarne Nordin, Madeleine Dowd, Ze Nan Ma, Derya Sekmen.

1. Public Hearing – Examination of the Auditor-General's Performance Audit Reports October 2016-May 2017

The public and press were admitted.

The following witnesses representing the **Audit Office of NSW** were admitted:

- Ms Margaret Crawford, Auditor-General, affirmed and examined.
- Mr Ian Goodwin, Deputy Auditor-General, sworn and examined.
- Ms Claudia Migotto, Assistant Auditor-General, Performance Audit, affirmed and examined.

The following witness representing **NSW Treasury** was admitted:

- Mr Ben Gales, Executive Director, Economic Strategy Division, affirmed and examined.

The following witness representing the **Department of Planning and Environment** was admitted:

- Mr Simon Officer, Chief Financial & Operating Officer, affirmed and examined.

The following witnesses representing the **Department of Justice** were admitted:

- Mr John Haswell, Executive Director, Justice Performance and Assurance, affirmed and examined.
- Dr Don Weatherburn, Director, NSW Bureau of Crime Statistics and Research, affirmed and examined.

The following witness representing the **Department of Premier and Cabinet** was admitted:

- Mr Wayne Evans, Executive Director, Corporate and Ministerial Services Branch, affirmed and examined.

The following witnesses representing the **Department of Industry** were admitted:

- Mr David Buckland, Manager, Program and Evaluation, sworn and examined.
- Mr Shaun Smith, Deputy Secretary, Corporate Services Partners, affirmed and examined.

Evidence concluded, the witnesses withdrew.

The following witnesses representing **Transport for NSW** were admitted:

- Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, affirmed and examined.
- Ms Margaret Prendergast, Coordinator General, Transport Coordinator, sworn and examined.

Evidence concluded, the witnesses withdrew.

The following witnesses representing **Transport for NSW** were admitted:

- Mr Stephen Troughton, Deputy Secretary, Infrastructure and Services, previously affirmed and examined.
- Ms Margaret Prendergast, Coordinator General, Transport Coordinator, previously sworn and examined.
- Mr Tony Braxton Smith, Deputy Secretary, Customer Services, affirmed and examined.

The following witness representing **NSW TrainLink** was admitted:

- Mr Howard Collins, Chief Executive, Sydney Trains and Acting Chief Executive, NSW Trains, sworn and examined.

Evidence concluded, the witnesses withdrew.

The following witness representing the **Department of Education** was admitted:

- Mr Anthony Manning, Chief Executive, affirmed and examined.

Evidence concluded, the witness withdrew.

The public hearing adjourned at 1:02pm.

2. Next meeting

The Committee adjourned at 1:02 until 9:15am on 27 September 2018 in Room 1254.

MINUTES OF MEETING No. 45

27 September 2018

9:17am, Room 1254

Members Present

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead (Deputy Chair), Mr Adam Crouch, Mr Lee Evans, Mr Greg Piper.

Staff in attendance: Bjarne Nordin, Madeleine Dowd, Ze Nan Ma, Derya Sekmen.

1. Apologies

Mr Ryan Park.

2. Minutes of Meeting Nos. 42, 43 and 44

Resolved, on the motion of Mr Bromhead, that the minutes of meeting Nos. 42, 43 and 44, be confirmed.

3. Membership

The Committee noted the appointment of Adam Crouch to replace Mark Taylor (Votes and Proceedings No. 192, 20 September 2018, entry 27).

4. Election of Deputy Chair

The Chair conducted an election for the position of Deputy Chair.

Resolved, on the motion of Mr Evans, seconded by Mr Crouch, that Mr Bromhead be elected Deputy Chair of the Committee.

5. ***

6. ***

7. ***

8. Next meeting

The Committee adjourned at 9.57am until 9:15am, 25 October 2018 in Room 1254.

MINUTES OF MEETING No. 46

25 October 2018

9:16am, Room 1254

Members Present

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead (Deputy Chair), Mr Adam Crouch, Mr Lee Evans, Mr Greg Piper.

Staff in attendance: Elaine Schofield, Bjarne Nordin, Madeleine Dowd, Ze Nan Ma, Derya Sekmen.

1. Apologies

Mr Ryan Park

2. Minutes of Meeting Nos. 45

Resolved, on the motion of Mr Piper, that the minutes of meeting No. 45 be confirmed.

3. *****4. *******5. Examination of Auditor-General's Performance Audit Reports October 2016 – May 2017
Consideration of Chair's Draft Report (previously circulated)**

The Committee considered the Chair's draft report.

- Resolved, on the motion of Mr Bromhead, that Recommendation 5 be amended by inserting the word 'considers' before 'undertaking', to read:

'The Committee recommends that the Auditor-General considers undertaking a follow-up Audit of the CBD and South East Light Rail project as part of the forward performance audit program'

- Resolved, on the motion of Mr Crouch, that the Committee considers the Chair's draft report as circulated.
- Resolved, on the motion of Mr Evans, that the Committee adopts the draft report and signed by the Chair for presentation to the House, and authorises Committee staff to make appropriate final editing and stylistic changes as required.
- Resolved, on the motion of Mr Piper, that once tabled the report be published on the Committee's webpage.

6. *****7. Next meeting**

The Committee adjourned at 10.02am until 9:15am, 22 November 2018 in Room 1254.

