



Premier
& Cabinet

Ref:A3971199

Mr Greg Piper MP
Chair
NSW Legislative Assembly Public Accounts Committee
Parliament House
SYDNEY NSW 2000

Dear Mr Piper

I refer to the Report No. 4/57 of the Public Accounts Committee – *Examination of the Auditor-General's Performance Audit Reports February 2018 – July 2018*.

Please find enclosed the NSW Government response to the recommendations made in the Committee's Report.

Yours sincerely

Tim Reardon
Secretary

06.11.2020

NSW GOVERNMENT RESPONSE TO REPORT NO. 4/57 OF THE PUBLIC ACCOUNTS COMMITTEE – EXAMINATION OF THE
AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORTS FEBRUARY 2018-JULY 2018

Recommendation	Responsible agency	Response
<p>Recommendation 1</p> <p>The Committee recommends that Cyber Security NSW considers, as a matter of priority, expanding its cybersecurity training and awareness programs to agencies outside the main eight public sector clusters.</p>	<p>Cyber Security NSW</p>	<p>Cyber Security NSW considers training and cyber awareness to be the foundation to a secure and resilient government. With the recently announced funding for cyber security uplift across the sector, Cyber Security NSW will now offer training and awareness services to the entirety of the NSW Government: ranging from large clusters, small agencies and local councils.</p> <p>This training will cover fundamental cyber awareness, targeted training for at-risk users, advanced technical training for cyber practitioners and training for senior executives on cyber risk. Small agencies and local councils will be able access these Cyber Security NSW awareness uplift and professional development services to suit their organisational needs and operational requirements.</p>
<p>Recommendation 2</p> <p>The Committee recommends that Cyber Security NSW reports on how it may best enhance NSW public sector threat intelligence gathering and sharing through formal links with the private sector.</p>	<p>Cyber Security NSW</p>	<p>Cyber Security NSW recognises the importance of gathering threat intelligence and sharing information across the NSW public sector and has developed working relationships with relevant Australian Government agencies and other states.</p> <p>Cyber Security NSW participates in the Australian Cyber Security Centre's partner program which forges links between the public and private sector, enables greater information sharing and collaboration on shared threats and opportunities.</p> <p>Additionally, with the recently announced funding, Cyber Security NSW will procure a threat feed for whole-of-government through formal links with the private sector and integrate this into a platform designed to improve the sharing of threat intelligence between NSW clusters, agencies and councils.</p>

<p>Recommendation 3</p> <p>The Committee recommends that Cyber Security NSW provides an update to the Auditor-General and the Committee, once a determination has been made in regard to Cyber Security NSW's remit for State-owned corporations.</p>	<p>Cyber Security NSW</p>	<p>The Australian Government is proposing to expand the scope of the <i>Security of Critical Infrastructure Act 2018</i> to expand security obligations for a number of additional sectors, including education, health and transport. As part of this expanded scope, the Australian Government intends to introduce an enhanced critical infrastructure security framework to bolster Australia's resilience and ability to act in an emergency with a heavy focus on cyber security-related incidents.</p> <p>This work has only recently been announced by the Australian Government and is currently being implemented in close consultation with State Governments and industry. As a result, the scope and nature of these requirements, and how they will impact State-Owned Corporations in NSW, will be better understood when the draft legislation and supporting regulations are drafted and released for consultation in upcoming months.</p> <p>As a result, Cyber Security NSW will await the outcome of the Commonwealth legislative reforms to Protecting Critical Infrastructure and Systems of National Significance before making a definitive decision on the extent to which State-Owned Corporations will fall under the remit of the NSW Cyber Security Policy, and the extent of this remit.</p> <p>In the interim, Cyber Security NSW is assisting Treasury to collect information on current cyber maturity across NSW State-Owned Corporations. On 7 August 2020, Treasury released a survey developed by Cyber Security NSW. This information will be used by Cyber Security NSW and Treasury to determine the cyber security governance and risk management posture of State-Owned Corporations and assist in determining the most effective approach to boosting the cyber security maturity of these Corporations.</p>

Recommendation 4

The Committee recommends that Infrastructure NSW, the Department of Planning, Industry and Environment and Transport for NSW apply a consistent approach to conducting sample audits on programs that present a moderate-to-high risk.

Infrastructure NSW, Transport for NSW

Under the *Restart NSW Fund Act 2011*, Infrastructure NSW is responsible for considering whether projects are suitable to be funded under from the Restart NSW Fund and making funding recommendations to the Treasurer.

The Resources for Regions program is administered by the Department of Regional NSW (previously the Department of Premier and Cabinet and then the Department of Planning, Industry and Environment); the Fixing Country Roads program is administered by Transport for NSW. These agencies manage correspondence with funding applicants and undertake detailed analysis of project applications. The analysis is provided to Infrastructure NSW to inform its recommendations to the Treasurer. Infrastructure NSW also convenes the Regional Independent Assessment Panel to provide independent advice regarding project applications.

Once a project has been approved by the Treasurer for funding via a grant from the Restart NSW Fund, the Restart Performance Management Office (Restart PMO) within Infrastructure NSW oversees the delivery phase and provides advice to the NSW Treasury regarding payments to project proponents for work completed. Note: the Restart PMO only oversees Restart NSW projects delivered via a grant to a project partner (i.e. it does not oversee projects delivered directly by NSW Government agencies).

In response to the Audit Office's recommendations in its 2018 report *Regional Assistance Programs*, Infrastructure NSW, the Department of Regional NSW and Transport for NSW made changes to ensure that records were stored in compliant systems and that probity issues were appropriately managed, including through the maintenance of a conflict of interest register and declarations. Infrastructure NSW also separated its internal audit arrangements, run by KPMG, from its probity auditor, now O'Connor Marsden. These changes remain in place.

	<p>O'Connor Marsden has completed probity reports for Resources for Regions Rounds 1 to 4 and all rounds of the Fixing Country Roads program. These reports confirm that probity protocols continue to be complied with. Infrastructure NSW, the Department of Regional NSW and Transport for NSW will continue to work together to ensure that all documentation for the Resources for Regions program and the Fixing Country Roads program is stored in appropriate systems.</p> <p>Note: The management of projects under a Funding Deed is the responsibility of Infrastructure NSW. The Department of Regional NSW (previously the Department of Planning, Industry and Environment) and Transport for NSW are not involved in this process.</p> <p>When a project has been approved for funding via the Resources for Regions or Fixing Country Roads program, Infrastructure NSW, as the Treasurer's representative, drafts funding deeds with the funding recipient, assesses project progress and performance, and manages payments to the recipient (the same process applies to projects funded other Restart NSW grants programs). The Funding Deed allows for compliance audits to be performed where necessary.</p> <p>Infrastructure NSW applies a risk-based approach, rather than a random sample, when determining which projects should be audited. The Restart PMO has a documented work process flow chart in place. This process was developed to align with the Restart NSW Funding Deed conditions and grants administration best practice, and is used to ensure that a consistent approach is implemented for project management, including the identification of at-risk projects for audit.</p> <p>The flow chart documents the process for project monitoring, review, claims management and project reporting. It is based on a standard industry-recognised project assurance reporting rating system with defined terminology and definitions for a Green, Amber, Red status traffic light system. This ensures that</p>
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		<p>a consistent approach is applied across all Restart projects, including the review of projects and the identification of the at-risk projects, which then enables steps to be taken to resolve issues to bring them back on track. Seventeen project audits have been undertaken to date.</p> <p>The Committee has raised concerns with Infrastructure NSW's risk assessment being based upon self-reported information from the funding recipient. While funding recipients do self-report, Infrastructure NSW engages Public Works Advisory (PWA) to validate the recipients' claimed progress. PWA has the required project and contract management expertise, as well as local knowledge, to identify if a project may be experiencing difficulties. This is based on information gained from site visits and through discussions with funding recipients. PWA uses standard procedures to ensure a consistent approach for project review, project issue identification and risk escalation to Infrastructure NSW. Infrastructure NSW considers that this provides sufficient independent scrutiny of projects to allow it to make an informed decision about which projects should be audited. Infrastructure NSW does not consider compliance audits of a random sample of projects to be an effective use of resources.</p> <p>Transport for NSW acknowledges that Infrastructure NSW is the lead agency for Restart NSW programs and manages all audits.</p> <p>Transport for NSW will continue to comply with all Restart NSW audit program requirements.</p>
<p>Recommendation 5</p> <p>The Committee recommends that Infrastructure NSW, the Department of Planning, Industry and Environment and Transport for NSW report on available quantitative and qualitative data for early project rounds of the Resources for Regions and Fixing Country Roads schemes.</p>	<p>Infrastructure NSW, Transport for NSW, Regional NSW</p>	<p>Early rounds of the Resources for Regions and Fixing Country Roads programs did not include frameworks and baseline data to facilitate a detailed assessment of the extent to which these program rounds delivered their expected benefits.</p> <p>Infrastructure NSW agrees that there would be benefit in reporting on project level data where possible and will review all completed projects to assess whether projects were delivered</p>

	<p>as originally scoped, whether they kept to their original timeframes and budgets, and that they are now being used as originally intended. Infrastructure NSW will make this information available on its website in the first half of 2021.</p> <p>Subsequent program rounds have program evaluation frameworks built into their design. This will allow comprehensive benefits realisation for Resources for Regions rounds 5 and 6 and Fixing Country Roads round 3 onwards. This will be undertaken at a program level by the agencies that manage the programs (i.e. the Department of Regional NSW for Resources for Regions and Transport for NSW for Fixing Country Roads) once all projects for the program round have been completed.</p> <p>Transport for NSW acknowledges that in the report it was stated that:</p> <ul style="list-style-type: none">• In particular, Transport for NSW had developed Benefits Realisation and Governance Framework documents for the Fixing Country Roads and Fixing Country Rail programs, published in January 2019.• The Audit Office noted that Transport for NSW implemented a benefits realisation framework for the Fixing Country Roads program. <p>Transport for NSW implemented Benefits Realisation measures into the programs application forms, commencing under Fixing Country Roads Round 3.</p> <p>Transport for NSW reports Fixing Country Roads Benefits Realisation annually.</p> <p>As the information was not sourced for Rounds 1 and 2, the information was unable to be gathered and/or reported.</p> <p>However, Transport for NSW has begun recording any information that could be identified within the application forms or supporting documentation for all projects under Fixing Country Roads Round 1 and Round 2. This work is currently</p>
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		underway and is expected to be completed by 31 December 2020.
<p>Recommendation 6</p> <p>The Committee recommends that the Office of Local Government, in consultation with the Minister for Local Government considers the feasibility of including metropolitan councils, on a voluntary basis, in its next phase of the Joint Organisation framework rollout.</p>	Office of Local Government NSW	<p>In 2018, following considerable consultation with regional councils, the NSW Government established Joint Organisations (JOs) across regional NSW in alignment with the NSW planning boundaries. Eighty-seven councils in regional NSW are members of the 13 JOs: Canberra Region, Central NSW, Far North West, Far South West, Hunter, Illawarra Shoalhaven, Mid North Coast, Namoi, New England, Northern Rivers, Orana, Riverina and Murray.</p> <p>JOs were formed in response to a need for regional councils to be able to collaborate on shared regional strategic priorities and work closely with state agencies to deliver against the government's priorities.</p> <p>It is the policy of the NSW Government for JOs to be established only in regional NSW.</p> <p>In 2020/21 the Office of Local Government will conduct an evaluation of the implementation and early operation of the JO model across regional NSW.</p>
<p>Recommendation 7</p> <p>The Committee recommends that following its evaluation of the Joint Organisation framework, the Office of Local Government facilitates the development of guidelines for prospective councils. This should include case studies of the 13 Joint Organisations and a comparison toolkit to enable councils to determine whether the Joint Organisation would provide benefits over their current service arrangements.</p>	Office of Local Government NSW	<p>In 2020/21 the Office of Local Government will conduct an evaluation of the implementation and early operation of the JO model across regional NSW.</p> <p>Depending on the outcomes of the review, the Office of Local Government will review and update the current guidance provided to JOs on their formation in 2018.</p>