

Nation Building – Economic Stimulus Plan

Business Assurance Review

December 2009



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15 December 2009

Dear Mr Mrdak,

Nation Building Economic Stimulus Plan – Business Assurance Review

Our review of governance arrangements (the Business Assurance Review) in respect of the Nation Building Economic Stimulus Plan (the Plan) is now complete and we are pleased to provide this report of our findings in terms of our engagement of 18 September 2009.

The Plan, established by the *National Partnership Agreement on the Nation Building and Jobs Plan* in February 2009, is unprecedented in its scale and required speed of implementation and new coordination and oversight mechanisms were needed to cut through red tape and commence work on the ground as quickly as possible.

We note the critical role that has been played to date by the Office of the Coordinator-General, Commonwealth Coordinators, the State and Territory Coordinators-General, and program area Coordinators in each jurisdiction. This network of coordinators has enabled many challenges to be resolved on a collaborative basis to date and we have recommended that these coordination roles be continued through the construction and delivery phases of the Plan.

We also note the key improvements in reporting which have occurred during the course of our review, including the progress report for the recent COAG meeting in December 2009. These reports, together with the associated recommendations from this review, will provide vital tools to monitor the achievement of objectives under the Plan.

We would like to take this opportunity to acknowledge the co-operation and assistance of the coordinators in all jurisdictions in enabling the review to be expedited.

Yours sincerely

[signed]

M Mark Ridley
Partner

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1 Executive summary

1.1 Introduction

This review of program assurance for the Nation Building – Economic Stimulus Plan (the Plan) was requested by the Office of the Commonwealth Coordinator-General in consultation with State and Territory Coordinators-General.

The objective of this review was to examine the governance arrangements designed to monitor the progress and effectiveness of each of the infrastructure elements of the Plan in each of the jurisdictions in meeting agreed deliverables and timeframes.

The Plan is unprecedented in its scale and speed of implementation, requiring particular attention to oversight and coordination

The infrastructure (building and construction) elements of the Plan encompass:

- Roads, Rail and Community Infrastructure – comprising road and rail projects, black spot program funding, boom gates, the East Kimberley Development Package, local government and strategic community infrastructure.
- Social and Defence Housing – including approximately 19,300 new social housing properties, repairs to over 70,000 social housing properties under the Social Housing Initiative and over 800 new Defence Houses across the country.
- Education – the Building the Education Revolution (BER) program incorporates approximately 10,600 building projects in the Primary Schools for the 21st Century program, 13,000 minor repair projects through the National School Pride program and funding for over 500 new science and language centres in secondary schools.
- Energy Efficient Homes – which has already seen more than 800,000 homes insulated and more than 100,000 solar hot water rebates claimed. The Plan has progressed from the establishment phase into the implementation and monitoring phase.

As at October 2009¹ approximately 50,000 projects had been approved, over 28,000 major projects² had commenced and more than 4,500 were completed.

The infrastructure elements of the Plan are illustrated further at Appendix A.

¹ All numbers provided by the Office of the Coordinator-General from the end of October monthly report.

² Major projects refers to major building and construction projects and excludes activity undertaken in the Repairs and Maintenance program of the Social Housing Initiative and the Energy Efficient Homes Package.

To ensure the effective delivery of the Plan, new coordination and oversight mechanisms were needed to cut through red tape and commence work on the ground as quickly as possible

1.2 Governance arrangements

The Plan was established by the *National Partnership Agreement on the Nation Building and Jobs Plan* (National Partnership Agreement), signed at a special meeting of the Council of Australian Governments (COAG) in February 2009.

Existing governance frameworks at the Commonwealth and State/Territory levels have been utilised wherever possible.

In addition, an oversight group, the Office of the Commonwealth Coordinator-General (OCG) was established within the Department of the Prime Minister and Cabinet. Commonwealth Coordinators were also appointed for each of the infrastructure elements and each State and Territory appointed a Coordinator-General. Further individual program area Coordinators were appointed within each jurisdiction to oversee the implementation of particular elements of the Plan. In addition to these governance appointments is the ongoing role of the Heads of Treasury group which is tasked with monitoring and reporting the status of financial commitments made by the States and Territories in accordance with the National Partnership Agreement.

At a Commonwealth level, existing governance and delivery models have been applied in respect of Infrastructure and Defence Housing. In respect of Energy Efficiency, new models have been developed. In Education and Social Housing (where the Plan is largely being delivered by State and Territory agencies), new or enhanced oversight mechanisms have been established by the lead Commonwealth agencies.

At the State and Territory level, the governance arrangements in place reflect a tailored approach based on existing structures and capabilities as well as the scale of incremental effort by the agencies concerned. There are broadly three types of governance models in this context:

- Centralised model – special purpose governance framework designed to deliver the Plan. Line agencies have established special purpose program offices reporting centrally through the State or Territory Coordinator-General to manage delivery.
- Decentralised model – State or Territory Coordinator-General performs a facilitation role with direct responsibility for program delivery residing with line agencies.
- Hybrid model – A combination of the above. Examples include procurement methodologies that are centralised while program delivery remains the responsibility of the line agency.

1.3 Evolving focus

The focus of oversight and governance has evolved as the Plan moves from conception to construction

The focus to date has been on the establishment of programs and the timely approval of projects and funding to ensure that money is injected into the economy quickly to support jobs. Now that the majority of individual projects to be delivered under the Plan have been planned and approved there is a shift in focus to monitoring and delivering construction projects in accordance with the relevant guidelines.

The major infrastructure elements of the Plan have staggered phases of approvals, commencements and completions.

The timeframes indicated in the diagram below represent the first and last phase of the infrastructure elements. The need for an evolving and dynamic governance framework is emphasised by the fact that particular elements of the Plan will be simultaneously engaged in approvals, commencements and monitoring the delivery of projects across the Plan.

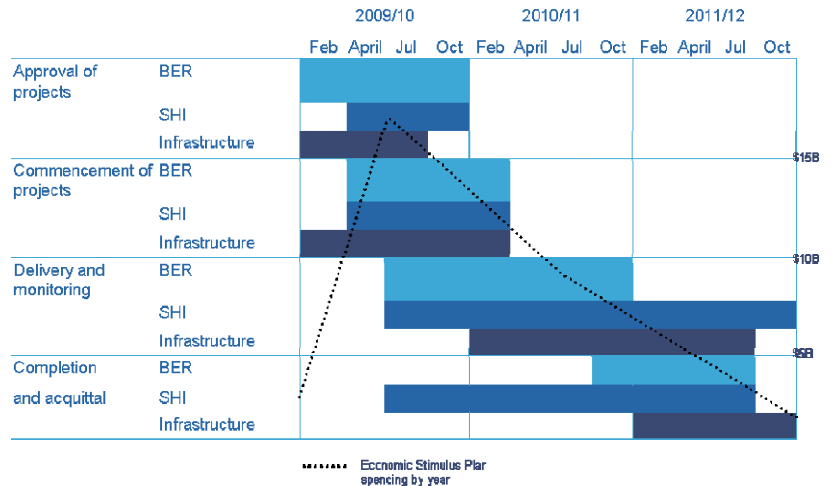


Table 1 – Phases of the Plan

The table above does not include all elements of the Plan as these are not subject to the multiphase approach of Education, Social Housing and Infrastructure projects.

The role of the Coordinators-General has been most intense during the conception and establishment phase where the need to ensure projects were approved on schedule was paramount to the successful delivery of the Plan overall.

The current focus on on-site construction and delivery will require particular attention to status reporting against plan, along with the continuing role of facilitation. There will also be a natural transition of personnel as programs tend towards business-as-usual. It will be important to sustain the key roles of Coordinators-General and program area Coordinators in each jurisdiction through this transition in order to maintain the focus on delivery.

1.4 Observations and recommendations

The oversight and governance practices in place to monitor the progress and effectiveness of each of the infrastructure elements of the Plan have generally operated effectively to date. Where challenges have arisen these have been collaboratively responded to and resolved. The challenge ahead will be to maintain the momentum as the elements of the Plan proceed through to on-site construction and delivery and monitoring of implementation. The continued roles of Coordinators-General and program Coordinators will be critical to the success of the Plan and the challenge will be to ensure that all responsible parties remain appropriately committed and resourced as these roles evolve.

Important improvements to reporting have been recently introduced, particularly at a consolidated Commonwealth level. Further refinements will be needed to ensure that progress of the Plan is monitored effectively over the next 18 months.

Other improvements and refinements have also been made during the course of this review, including the implementation of a more formalised process for monitoring action items arising from coordination meetings.

Other key positive observations from a governance perspective are as follows:

- Existing governance structures have been leveraged where they have been assessed as capable of dealing with the increased scale of effort.
- Where required, governance structures have evolved or been refined to reflect the increasing complexity of programs such as the Energy Efficient Homes Package.
- The role of the Coordinators-General has facilitated cutting through red tape and has been instrumental in pushing through changes to planning processes across the jurisdictions to enable the swift implementation of projects.
- The requirements, including project timeframes, of the Plan have given cause for some jurisdictions to re-examine their project delivery methodologies and implement new, focussed project-level governance frameworks.

Recommendations

Our recommendations are grouped into the following areas, being relevant aspects of governance³ in relation to the Plan:

- Alignment of Objectives
- Responsibility and Allocation of Risk
- Accountability
- Monitoring and Reporting
- Independent Assurance.

Alignment of objectives

- 1 The role of the Commonwealth and State and Territory Coordinators-General as well as program area Coordinators should be continued through the construction and delivery phase and clarified as appropriate when roles change to ensure the ongoing alignment of Commonwealth and State and Territory objectives under the Plan.

Responsibility and allocation of risk

- 2 While governance arrangements are in place in all jurisdictions, in some jurisdictions⁴ there is a need for better documentation of these arrangements. The relevant State and Territory Coordinators-General should ensure that the governance arrangements in place are documented and address the following essential components:
 - clearly defined roles, responsibilities and accountabilities (including roles in relation to Non-Government entities such as Block Grant Authorities and Housing Associations)
 - reporting requirements and responsibilities
 - project level governance activities (for example, the roles of project control boards) and associated risk management approaches.

Responsibility and allocation of risk continued

- 3 As part of the Program Assurance Framework⁵ for the Plan, the Coordinators-General are managing the high level risks associated with delivery of the Plan. Risks being managed at the overall Plan level include ongoing alignment of activities and schedules with the Plan, quality and consistency of reporting, and effectiveness of the partnership model in meeting the objectives of the Plan. These risks and mitigation strategies should be further documented in a manner which facilitates monitoring of ongoing effectiveness of these strategies.

³ This reflects the unique nature of the Plan, as discussed in Chapter 2 of this report.

⁴ Jurisdictions without well documented governance arrangements have been separately provided with observations regarding the status of governance documentation in those jurisdictions.

⁵ Framework referred to in the Nation Building Progress Report, p61

Monitoring and reporting

- 4 State/Territory and Commonwealth Coordinators-General should implement high level status reports on the actual against forecast achievement of objectives, using traffic lights or other indicators which highlight clearly the views of the reporting agency regarding status against plan and identify areas for attention.

The ability to report actual against expected activity is dependent on the validity of the estimates or forecasts; where these are not realistic they should be re-forecast at the delivery level, which is predominantly the States and Territories. The focus of the commentary in the status reports should then be on the exceptions to the planned activity.

The data in the status reports should be consistent with the monthly data submitted to Commonwealth agencies. Where differences in reported information arise through different systems, the State and Territory Coordinators-General should ensure that these can be reconciled to the data shown in the consolidated Commonwealth level report.

A key factor in determining the success of status reporting will be the establishment of consistent milestones within forecast data. Examples of milestone monitoring are discussed in Section 4.

- 5 A challenge across the Plan has been to ensure that the information provided from a project level is consistent with the requirements of the relevant guidelines. State and Territory Coordinators-General should ensure that appropriate processes are in place to validate information included in status reports to Commonwealth Agencies. Where information is provided directly by delivery agencies to the Commonwealth, this should be made available to State and Territory Coordinators-General to enable reviews of the data to occur.

- 6 Responsibility for coordinating and reporting on the major elements of the Plan is well understood across the jurisdictions. However, for elements of the Plan that are delivered directly by Commonwealth agencies, or which involve smaller numbers of projects, the responsibility of State and Territory Coordinators-General for reporting and monitoring implementation is not as clear. The OCG, in conjunction with Commonwealth agencies with program responsibility, should clarify with State and Territory Coordinators-General their roles, responsibilities and expectations with respect to reporting for all elements of the Plan, including those elements where the States and Territories are not directly responsible for delivery.

- 7 State and Territory Coordinators-General should review available information in their jurisdiction, including examining of data for exceptional or outlying results, so that they can confirm, for their jurisdiction, whether the COAG aim of securing at least 10 per cent of the total contract labour hours on stimulus projects for apprentices and trainees is being met.

Independent assurance

- 8 To ensure that the assurance processes across the Plan are optimised where possible, the Commonwealth Coordinators should consolidate the assurance and compliance matrices developed for the Plan through this review. The extent, type and relevance of assurance activity already being undertaken should be considered in the design of any additional compliance activity at the Commonwealth level.

1.5 Limitations

This review does not constitute an Audit or Review conducted in accordance with Australian Auditing Standards. Unless expressly indicated, this review did not involve detailed examination or validation of reporting and governance practices and controls. As a result, no assurance is provided as to the completeness or accuracy of information provided for the purposes of the review, nor as to the adequacy of governance and internal controls in place in relation to specific programs under the Plan.

Our observations in this report are focused on the governance arrangements in respect of the Plan as whole, as distinct from its component parts in each jurisdiction or program.

2

Introduction and approach

2.1 Introduction

Delivery mechanisms

The Plan is unique for a Commonwealth Government program as it encompasses the delivery of numerous infrastructure elements across a range of portfolio departments and jurisdictions. As at October 2009⁶ approximately 50,000 projects had been approved, over 28,000 major projects⁷ had commenced and more than 4,500 were completed.

There are five Commonwealth agencies and three tiers of Government responsible for the oversight and delivery of the Plan, with each component of the Plan being delivered through a separate and unique delivery framework.

As illustrated in Diagram 1 on the following page, some projects are:

- the responsibility of Commonwealth agencies whilst some are the responsibility of State or Territory Government agencies
- delivered through an outsourced project management model involving a third party
- delivered through inter-agency agreements, such as between the Department of the Environment, Water, Heritage and the Arts and Medicare
- delivered by non-government organisations.

In addition, delivery of the Plan requires the successful execution of projects across eight jurisdictions; with differing timeframes and deliverables; and with the agencies involved having various levels of experience and organisational maturity in project governance and delivery.

⁶ Numbers provided by the Office of the Coordinator-General from the end of October monthly report.

⁷ Major projects refers to major building and construction projects and excludes activity undertaken in the Repairs and Maintenance program of the Social Housing Initiative and the Energy Efficient Homes Package.

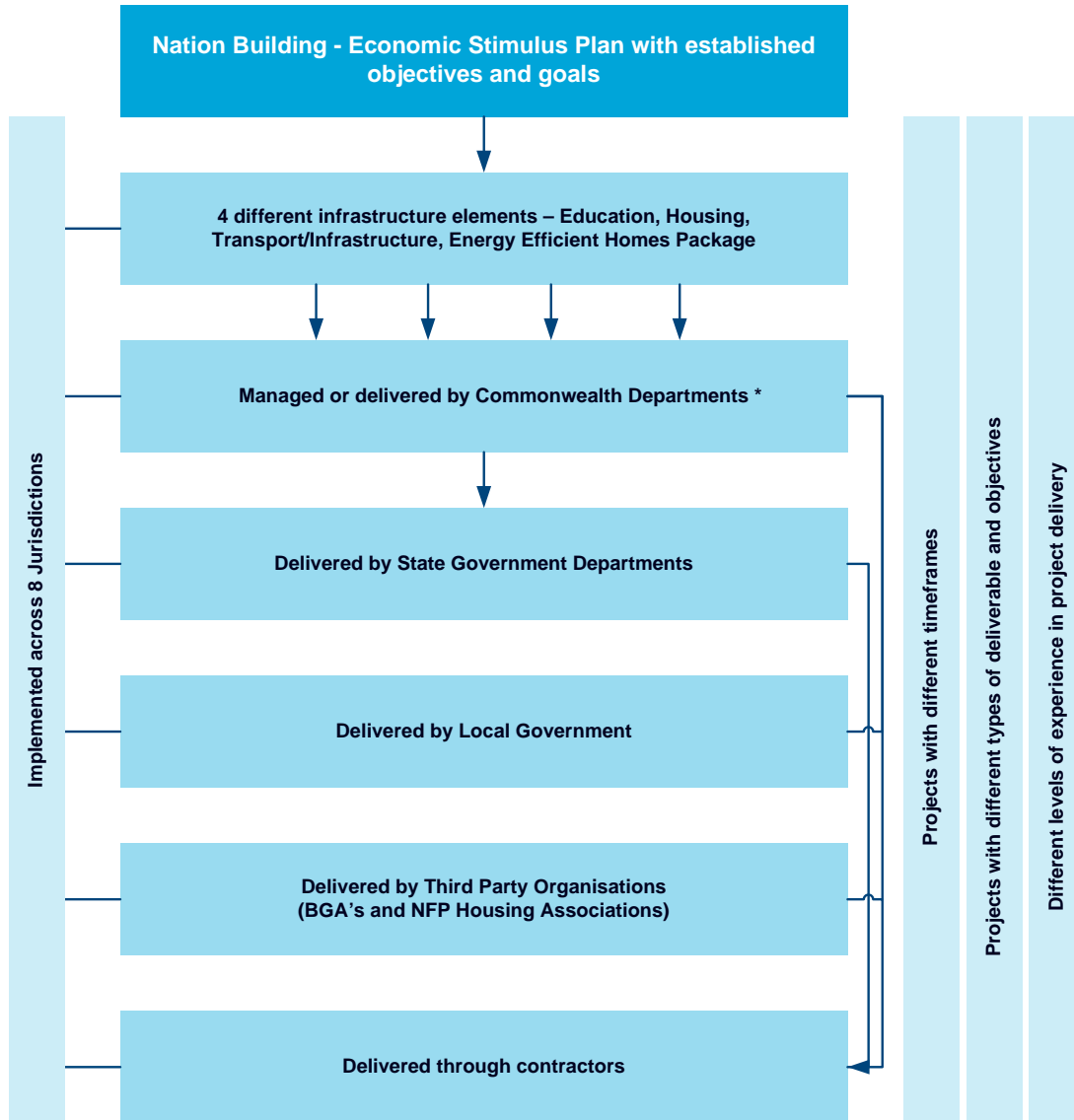


Diagram 2 – Delivery mechanisms for the Plan

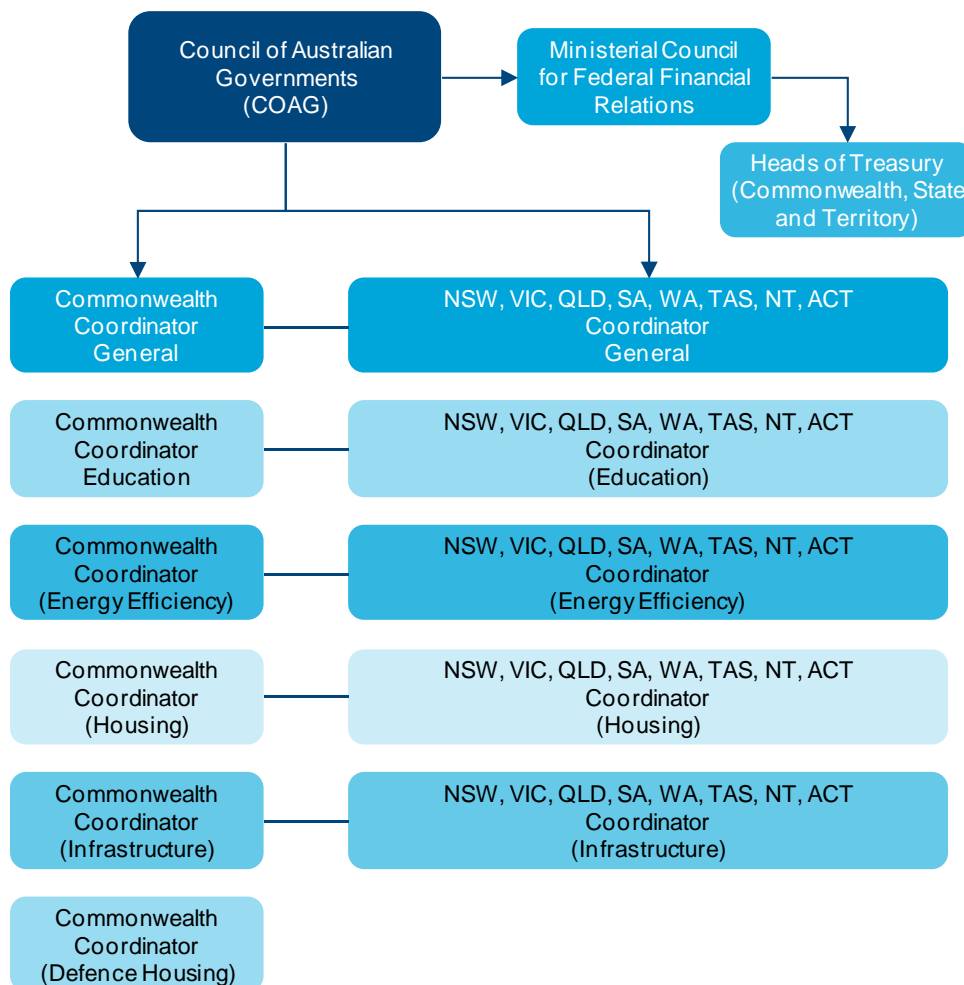
* Commonwealth agencies include Medicare which is a contracted provider of payment services to the Department of the Environment, Water, Heritage and the Arts. The Australian Rail Track Corporation (ARTC) is delivering rail projects under the Plan – the ARTC is a company under the Corporations Act, and its shares are owned by the Commonwealth.

Coordination and oversight

To ensure the effective delivery of the Plan, new coordination and oversight mechanisms were needed to cut through red tape and commence work on the ground as quickly as possible.

An oversight group, the Office of the Commonwealth Coordinator-General (OCG), was established within the Department of the Prime Minister and Cabinet. In addition, Commonwealth Coordinators were appointed for each of the infrastructure elements and each State and Territory appointed a Coordinator-General. Further, individual Coordinators were appointed within each jurisdiction to oversee the implementation of particular elements of the Plan.

These roles are illustrated in the following diagram:⁸



⁸ Chart 2 – Economic Stimulus Plan – Commonwealth Coordinator-General’s Report, August 2009

Governance arrangements

The Plan was established by a National Partnership Agreement, signed at a special meeting of the Council of Australian Governments (COAG) in February 2009.

Existing governance frameworks at the Commonwealth and State/Territory levels have been utilised wherever possible.

At a Commonwealth level, existing governance and delivery models have been applied in respect of Infrastructure and Defence Housing. In respect of Energy Efficiency, new models have been developed. In Education and Social Housing (where the Plan is largely being delivered by State and Territory agencies), new or enhanced oversight mechanisms have been established by the lead Commonwealth agencies.

At the State and Territory level, the governance arrangements in place reflect a tailored approach based on existing structures and capabilities as well as the scale of incremental effort by the agencies concerned. There are broadly three types of governance models in this context:

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- Hybrid model – A combination of the above. Examples include procurement methodologies that are centralised while program delivery remains the responsibility of the line agency.

Legacy of a new approach

The implementation of the Plan required a number of new governance and delivery functions across Commonwealth, State and Territory Governments.

Within the Commonwealth Government, new roles were created for the Office of the Coordinator-General as well as Commonwealth Coordinators for each element of the Plan. Within State and Territory Governments, new roles were created for Coordinators-General and a variety of delivery mechanisms were established to support the role of Coordinators-General to implement the Plan.

While existing structures and processes have been leveraged across the implementation of the Plan there have been new procedures and innovative approaches in the following areas:

- Some jurisdictions have adopted new planning processes, either within existing planning frameworks or with new centralised planning powers applicable to projects being delivered under the Plan.
- Integrated program offices have been established in some jurisdictions, leveraging the experience of construction professionals, project managers and delivery agencies.
- State and Territory governments have provided additional assistance to housing associations in building their capabilities for delivering social housing construction projects.

A key opportunity will be to analyse the performance of these structures at the completion of the Plan. Lessons will undoubtedly be learned and these can be applied to future coordinated Government programs that are unlikely to be on the scale and timeframes of this once in a generation Economic Stimulus Plan.

2.2 Our approach to evaluating governance arrangements

Performance and conformance

COAG has established the key objectives and milestones for the Plan. The OCG assists COAG in facilitating and monitoring achievement of these objectives and milestones.

The Plan is reliant on the governance frameworks in the respective agencies at the Commonwealth, State and Territory and local government levels. There is no overarching governance framework that can be applied in a conventional sense and we have therefore focused on two key attributes of governance in this context, namely:

- **Performance** – how the Commonwealth, in partnership with States and Territories, is using the existing governance arrangements to facilitate the overall performance and the delivery of projects across the jurisdictions, including alignment of individual programs with the Plan objectives and outcomes.
- **Conformance** – how each organisation responsible for delivery uses its respective governance arrangements to ensure it meets the requirements of the law, regulations, published standards and community expectations of probity, accountability and openness in delivery of individual projects. Conformance is thus the responsibility of the respective Commonwealth, State and Territory agencies, local government and other organisations responsible for delivering the projects.

Relevant governance principles

In considering the governance arrangements for the Plan, we have been mindful of the oversight role of the Coordinators-General together with the governance arrangements in each program and delivery agency.

In particular we have given consideration to the challenges of delivering a broad range of independent programs that share the objectives of the Plan at a high level but potentially have different objectives at the Portfolio and State and Territory levels. Accordingly, we have focused on the following five key areas to guide this high level evaluation of governance arrangements:

- a Alignment of Objectives
- b Responsibility and Allocation of Risk
- c Accountability
- d Monitoring and Reporting
- e Independent Assurance.

Relevant governance principles in each of these areas are described further below.

Alignment of objectives

In evaluating the different delivery models across each jurisdiction it is important to consider alignment of project delivery with the overall Plan and constituent program objectives. Key principles considered include:

- The internal objectives of the delivery organisation in terms of the relevant projects are aligned with the overall Plan program objectives.
- The delivery organisation has identified in the planning and delivery stages, critical success factors for managing against these projects which are in turn aligned with the overall Plan program objectives.
- Individual incentives are aligned with the overall program objectives.

1 Introduction and approach

- The delivery model supports efficient and effective outcomes for the relevant programs and projects in line with the Plan.

Responsibility and allocation of risk

Responsibilities under the Plan need to be clearly determined and understood, including those in relation to risk management. Key principles considered include:

- There is a designated appropriate organisation responsible for the delivery of a program in the respective jurisdictions.
- The responsible organisation clearly understands and supports the objectives of the Plan.
- The organisation has clear roles and clear procedures for making decisions and exercising power in relation to the program.
- The organisation has authority to act to ensure project delivery in the respective jurisdictions.
- The program and individual project risks are clearly identified, allocated and managed.
- Delegated authority or responsibility is effectively managed from a risk perspective, in particular outsourced project management/delivery responsibilities.
- There is evidence of capacity of resources to ensure projects can be delivered over the entire life of the program.
- Adequate capability and capacity exists in terms of skills, management, business processes and other resources over the entire life of the program.
- The delivery model is designed to ensure that quality outcomes are achieved.

Accountability

It needs to be demonstrated that acceptable mechanisms are in place to ensure the responsible organisation adheres to all applicable standards. This includes acceptable government accountability practices and statutory obligations. Key principles considered include:

- Appropriate budgeting and planning processes are in place around each program and individual projects.
- Specific projects apply sound procurement procedures, probity and transparency in all dealings and contracts.
- Sound financial management practices are in place at both the project and program levels.
- Appropriate consequences exist for disregard of accountability and compliance obligations.

Monitoring and reporting

A key governance issue given the diversity of projects, delivery models and lines of responsibility across various departments is the adequacy of monitoring and reporting on projects and the alignment of reporting against project KPI's, critical success factors and overall objectives at both the Plan program levels. Key principles considered include:

- Reporting is accurate, timely and reflective of the status of each project and program against plans and forecasts.
- A clear nexus exists between what is reported, project KPI's and program critical success factors.

Independent assurance

Given the complexity of the Plan, there is a need to gain assurance as to the quality of implementation and the reliability and currency of information being provided to the relevant stakeholders about the performance of each project, as well as the management of risk of fraud. Key principles considered include:

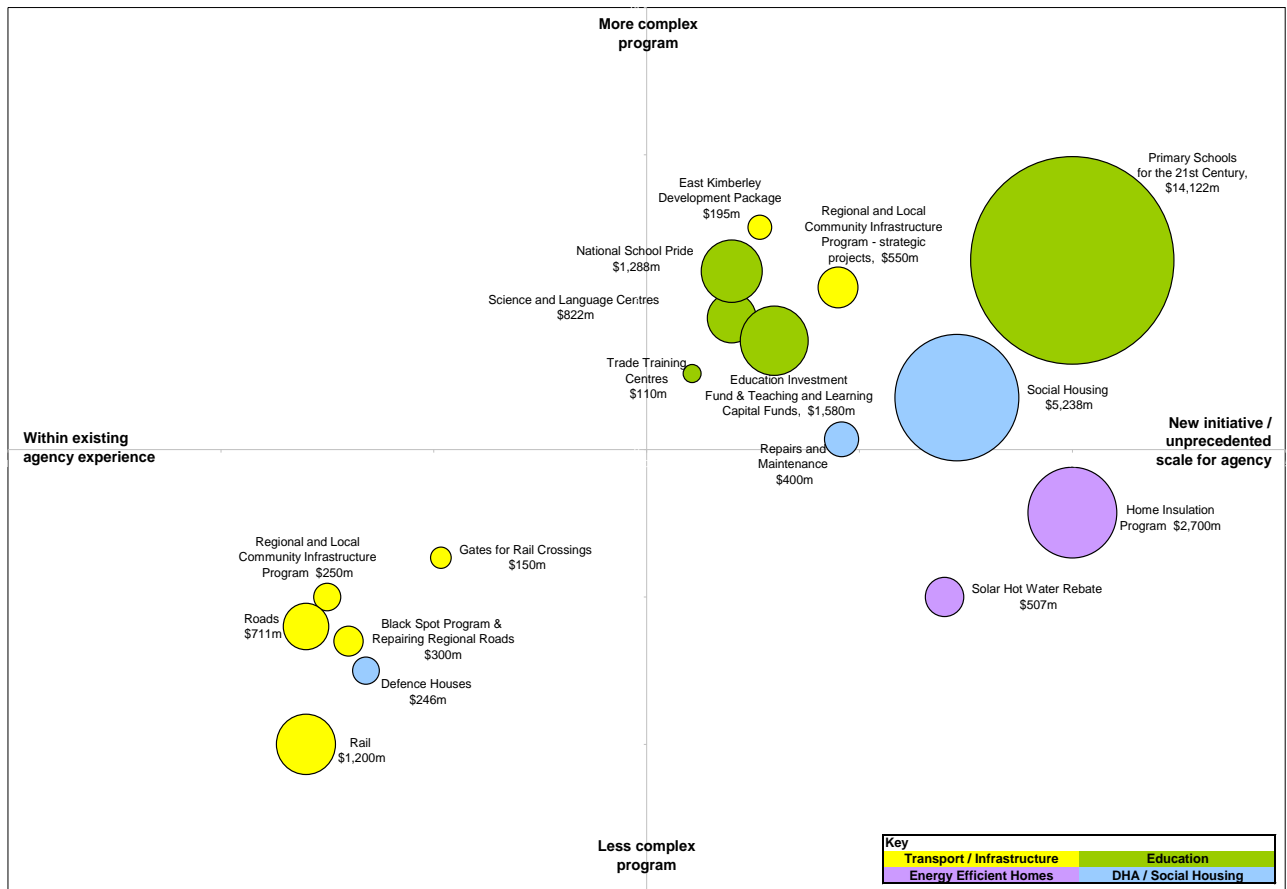
- There are adequate quality assurance, compliance and fraud risk management processes in place for each individual project.
- There is sufficient reporting and oversight at the program governance level which demonstrates that the quality assurance, compliance and fraud risk processes at the project level are operating effectively.
- Independent audits are undertaken to provide assurance that project reporting is reliable and current, that risks are being effectively managed, and that project management processes are appropriate to support quality outcomes within time and cost parameters.

2.3 Focusing the review effort

Given the breadth of the Plan, the review team made an early qualitative assessment in respect of the various elements.

This assessment considered the relative complexity of the Plan element and whether the responsible agency had previously delivered a program of equivalent scale, time frames or inherent complexity. This initial assessment (at a Commonwealth level) is shown below, and was used to guide the focus of the review in key areas.

Figure 1: Nation Building Economic Stimulus Plan – risk heat map



3

Observations and recommendations

3.1 Introduction

The following analysis is based on discussions with Commonwealth Coordinators, State and Territory Coordinators-General and documentation provided by each jurisdiction. We have reviewed the current governance performance, structure and opportunities for improvement across the Plan in the context of the five areas of governance identified earlier, namely:

- Alignment of objectives
- Responsibility and allocation of risk
- Accountability
- Monitoring and reporting
- Independent assurance.

3.2 Alignment of objectives

State and Territory objectives appear to be aligned with the Commonwealth and the implementation plans we have reviewed all include the consistent objectives of:

- The timely delivery of projects funded by the Commonwealth under the National Partnership Agreement to reduce the impact on Australia of the global economic recession.
- To provide better outcomes relevant to the program (for example, social housing, educational or environmental outcomes).

Objectives at the Commonwealth and State/Territory coordinator level are aligned. However, with each additional layer of responsibility there is increased pressure to balance the objectives and priorities of the Plan with those of the State and Territory agencies, Block Grant Authorities, and industry suppliers and contractors. For example, where construction management is outsourced by an agency there may be other drivers for managing the contract (cost, profit, reputation, phasing of work) that may not be consistent with the overall Plan objectives.

Whilst the role of the Coordinators-General is in essence one of facilitation and influence, this group has a critical role in helping to sustain the alignment of objectives under the Plan in the face of competing pressures. Together with the State and Territory program Coordinators, the Coordinators-General form a “network” which will continue to play a vital role as the Plan enters a peak period of construction activity in the first half of 2010.

The focus and collaboration of this network has become well established since the inception of the Plan, however there is a risk that this level of focus may not be as well sustained as the Plan moves forward into the construction phase. With experienced senior executives currently fulfilling these roles across the jurisdictions there will be a natural tendency for some of these executives to return to previous roles or take on new responsibilities as the Plan moves toward business-as-usual.

From a governance perspective, the challenge will be maintaining the appropriate level of focus and attention on coordination and facilitation of delivery in line with the Plan. While individual roles may change, there remains a need for an effective Coordinator-General role in each jurisdiction which encompasses at least the attributes of:

- access to the respective Premier/Chief Minister
- capacity and support available to monitor and drive activity, and
- ability to influence delivery agencies in the event that issues arise.

Recommendation 1

The role of the Commonwealth and State and Territory Coordinators-General as well as program area Coordinators should be continued through the construction and delivery phase and clarified as appropriate when roles change to ensure the ongoing alignment of Commonwealth and State and Territory objectives under the Plan.

Timeframe: to June 2011

3.3 Responsibility and allocation of risk

Responsibility for delivery of specific projects is clearly defined. In both decentralised and centralised models the line agency (for example, Education or Housing) is responsible for the delivery of the program. In a centralised implementation model the need for clarity is greater, however there is evidence that this has been addressed in the relevant implementation plans. Ultimately, the responsibility for delivery of the elements follows the appropriation funding flows.

Most States and Territories have clearly defined responsibility frameworks and the objectives outlined in the relevant implementation plans are consistent between the Commonwealth and States and Territories.

Examples of comprehensive governance/responsibility frameworks include those found in New South Wales and Queensland.

Documentation of governance arrangements

The level of documentation of governance arrangements across the jurisdictions is varied. Some jurisdictions have well documented governance arrangements while others are less developed. Where the governance arrangements are well documented they include:

- detailed roles and responsibilities
- clear presentation of the organisational structure and lines of accountability
- reporting frameworks
- detailed presentation of project level governance activity.

Some jurisdictions do not have comprehensive documentation of the existing governance arrangements. Documentation of the governance arrangements would assist in clarifying responsibilities within each jurisdiction.

Recommendation 2

While governance arrangements are in place in all jurisdictions, in some jurisdictions⁹. The relevant State and Territory Coordinators-General should ensure that the governance arrangements in place are documented and address the following essential components:

- clearly defined roles, responsibilities and accountabilities (including roles in relation to Non-Government entities such as Block Grant Authorities and Housing Associations)
- reporting requirements and responsibilities
- project level governance activities (for example, the roles of project control boards) and associated risk management approaches.

Timeframe: Jan 2010

Allocation and management of risk

Responsibilities for execution of the Plan by the relevant Commonwealth and State/Territory agencies are generally clear, with budget risk in the event of cost overruns being allocated to the State and Territory Governments where they are responsible for delivery under the Plan. Assessment and management of risk within the constituent programs is done at the respective Commonwealth lead agency and State/Territory agency levels as these entities are best equipped to assess, monitor and manage risk.

Tools available to the Commonwealth and State and Territory Coordinators-General rely upon the ability to influence direction rather than mandate performance. While this model is fundamental to the operation of the National Partnership Agreement it will be challenged if program delivery slips and the management of allocated risk is questioned.

The Office of the Coordinator-General operates, in effect, as a key instrument of risk management in respect of overall risks to delivery of the Plan against the objectives and milestones determined by COAG. Examples of key risks being managed in this way, in concert with the State and Territory Coordinators-General, include:

- the risk of project approval and commencement delays in various jurisdictions, mitigated by various actions to break through red tape as required
- the risk of ineffectiveness of the partnership model or inconsistency of approach to the Plan across jurisdictions, mitigated through ongoing co-ordination forums and relationship management across the Plan and ensuring communication channels remain open
- the risk of inconsistencies in assessing and reporting progress against plan, mitigated through clarification of reporting definitions and establishment of a consolidated reporting framework.

However, the risks regarding the overall success of the Plan are not formally documented or reported on at a consolidated level.

⁹ Jurisdictions without well documented governance arrangements have been separately provided with observations regarding the status of governance documentation in those jurisdictions.

Recommendation 3

As part of the Program Assurance Framework¹⁰ for the Plan, the Coordinators-General are managing the high level risks associated with delivery of the Plan. Risks being managed at the overall Plan level include ongoing alignment of activities and schedules with the Plan, quality and consistency of reporting, and effectiveness of the partnership model in meeting the objectives of the Plan. These risks and mitigation strategies should be further documented in a manner which facilitates monitoring of ongoing effectiveness of these strategies.

Timeframe: Jan 2010

¹⁰ Framework referred to in the Nation Building Progress Report, p61

3.4 Accountability

The accountability mechanisms for each program are based on established frameworks in each jurisdiction. Each State and Territory has its own procurement guidelines and methodologies. Where the Commonwealth is responsible for delivery, the Commonwealth Procurement Guidelines and established practices are in place.

The procurement methodologies within jurisdictions have been tailored to meet the needs of the Plan, and the accountability for expenditure by States and Territories remains a key element of the procurement plans. The following features have also been identified as strengths:

- Centralised approach to procurement in some jurisdictions has been designed to address accountability risk.
- Established panels of pre qualified suppliers have been utilised in some jurisdictions.
- State and Territory Audit Offices are beginning to conduct reviews focused on accountability.
- Benchmark prices and independent quantity surveyors are being utilised to assess value for money.
- Independent probity advisors being contracted in some jurisdictions.

3.5 Monitoring and reporting

Jurisdictions have regular and detailed project status information presented and reviewed at the appropriate governance level.

Some jurisdictions have sophisticated project status reporting based on existing information management systems. As an example, South Australia can report directly from the Building Information Management System on the status of individual projects, including the status of claims submitted and paid.

Traffic light reporting is being used at the detailed project level in some jurisdictions, such as for Social Housing projects in the Australian Capital Territory. Larger jurisdictions are reviewing summarised reporting at the coordinator level with detailed project information being reviewed within delivery agencies.

There are examples of thorough risk assessments being completed in some jurisdictions and at the National Coordinator level. Comprehensive examples include Queensland and the Australian Capital Territory risk assessments of BER implementation.

High level status reporting

Status reporting at the Commonwealth level has tended to be focused on progress with approvals, commencements and expenditure. However, it is difficult at a consolidated program level to identify where potential issues exist in terms of progress against plan and to determine priority areas for attention. Good examples where status reporting is focused on progress include Social Housing where the status against program objectives is reported as well as analysis of actual against expected activity. However, the effectiveness of actual against forecast data is dependent upon the validity of the estimated activity (and whether this has since been appropriately re-forecast).

Within the BER the level of reporting is either very detailed at the project level or focused on the approvals, commencements and expenditure. There is currently no reporting at the BER Coordinator level that communicates a snapshot of actual progress against expected progress.

Work currently being undertaken by Commonwealth agencies in relation to the BER and Social Housing to provide re-estimations of forecasts of project timelines and delivery will assist in strengthening reporting against milestones.

States and Territories have a variety of reporting mechanisms, reflecting the wide variety of existing systems and delivery mechanisms. Some jurisdictions have well developed status reporting that is able to direct Coordinators-General to areas requiring attention. Other jurisdictions have not established reporting mechanisms that provide a snapshot of actual progress against expected progress.

The Commonwealth Coordinator-General's report should serve as a platform for reporting consolidated status. Status reports used to monitor progress at the State and Territory level should be consistent with data submitted to Commonwealth Agencies (it is acknowledged that the level of detail will vary, however the consolidated data should be reconciled to status reports).

Recommendation 4

State/Territory and Commonwealth Coordinators-General should implement high level status reports on the actual against forecast achievement of objectives, using traffic lights or other indicators which highlight clearly the views of the reporting group regarding status against plan and identify areas for attention.

The ability to report actual against expected activity is dependent on the validity of the estimates or forecasts; where these are not realistic they should be re-forecast at the delivery level, which is predominantly the States and Territories. The focus of the commentary in the status reports should then be on the exceptions to the planned activity.

The data in the status reports should be consistent with the monthly data submitted to Commonwealth agencies. Where differences in reported information arise through different systems, the State and Territory Coordinators-General should ensure that these can be reconciled to the data shown in the consolidated Commonwealth level report.

A key factor in determining the success of status reporting will be the establishment of consistent milestones within forecast data. Examples of milestone monitoring are discussed in Section 4.

Timeframe: Feb 2010

Monitoring and validation of reporting data

The roles and responsibilities of States and Territories regarding the reporting of program information are defined in the respective agreements and guidelines governing the Plan's implementation. Due to the tight timeframes involved in establishing the reporting requirements and the focus in the early stages on meeting approval schedules, the processes for validating the quality of reporting information are not well established within the States and Territories. As the Plan moves in to the delivery phase it is important that processes be implemented to validate the quality of data being reported. Examples of effective monitoring and validation processes include:

- checking consistency with jurisdiction taskforce reports
- reviewing consistency with previously provided reports
- spot audits of onsite activity for consistency with reported status
- review of the reasonableness of projections and forecasts.

Recommendation 5

A challenge across the Plan is to ensure that the information provided from a project level is consistent with the requirements of the relevant guidelines. State and Territory Coordinators-General should ensure that appropriate processes are in place to validate information included in status reports to Commonwealth Agencies. Where information is provided directly by delivery agencies to the Commonwealth, this should be made available to State and Territory Coordinators-General to enable reviews of the data to occur.

Timeframe: Feb 2010

Elements of the Plan not delivered by the States and Territories – State and Territory monitoring

Responsibility for coordinating and reporting on the major elements of the Plan such as Housing and Education is well understood across the jurisdictions. However, for elements of the Plan that are delivered directly by Commonwealth agencies the responsibility of State and Territory Coordinators-General for reporting information is not as clear.

Recommendation 6

Responsibility for coordinating and reporting on the major elements of the Plan is well understood across the jurisdictions. However, for elements of the Plan that are delivered directly by Commonwealth agencies, or which involve smaller numbers of projects, the responsibility of State and Territory Coordinators-General for reporting and monitoring implementation is not as clear. The OCG, in conjunction with Commonwealth agencies with program responsibility, should clarify with State and Territory Coordinators-General their roles, responsibilities and expectations with respect to reporting for all elements of the Plan, including those elements where the States and Territories are not directly responsible for delivery.

Timeframe: Dec 2009

Reporting against the 10 per cent apprentices and trainees target

The collection of project-level jobs data is embedded within reporting frameworks established for various elements of the Plan. In addition to the collection of jobs data, in July 2009 COAG agreed that "when contracting for government stimulus and infrastructure projects, the States and Territories will aim to secure at least 10 per cent of the total contract labour hours to be undertaken by apprentices and trainees and those seeking to up-skill, where this does not result in unreasonable costs to business."

There is a lack of consistency across the Plan in terms of the types of review activities or procedures that States and Territories are completing in relation to the accuracy of the aspirational apprenticeship and trainee numbers.

Recommendation 7

State and Territory Coordinators-General should review available information in their jurisdiction, including examination of data for exceptional or outlying results, in order to confirm whether the COAG 10% aspirational target for apprentices and trainees is being met.

Timeframe: Feb 2010

3.6 Independent assurance

Due to the extraordinary nature of Plan and the resulting high public profile there is an unprecedented level of additional scrutiny applied to all elements of the Plan. This additional scrutiny comprises activity such as Senate Inquiries, public accounts committees and other parliamentary oversight functions at a Commonwealth and State and Territory level.

There is a variety of other sources of assurance being provided across the Plan which can be broadly categorised as:

- Quality assurance and compliance – On the ground processes and procedures designed to ensure that the individual construction projects that make up the Plan are being executed on time, are cost effective and meet appropriate quality standards.
- Oversight – Processes in place at both the State and Territory and Commonwealth levels to monitor and oversee the status of elements of the Plan. These include the monitoring of project reporting, site inspections to review the accuracy of reporting and flexibility in funding mechanisms to ensure payments are made in accordance with activity on the ground.
- Independent assurance – Independent reviews conducted across the Plan aimed at providing assurance that elements of the Plan are being executed in accordance with agreed guidelines and procedures. These include reviews by Internal Audit groups, State and Territory Audit Offices and external advisors.

Examples of the types of compliance and assurance activities across all categories include:

- Quantity surveyors appointed to verify cost estimates and claims.
- Independent project managers to monitor project status and reporting.
- Site inspections by delivery agencies (such as Education and Housing Departments) for compliance with guidelines and existing approvals.

- Spot audit programs by taskforce or delivery agency staff to ensure that reported status of projects is accurate.
- Delivery agency Internal Audit functions (for example, State and Territory Departments of Education).
- Oversight agency Internal Audit functions (for example, the Commonwealth Department of Education, Employment and Workplace Relations).
- Probity advisers at various levels of delivery, including delivery agencies and centralised taskforces.
- State and Territory Audit Offices performing both financial statement acquittal reviews (for example in Education) as well as performance audit reviews over program delivery.
- Specific engagements of assurance providers by some State Coordinators-General to review program delivery, processes and perform investigations if required.
- Reviews by the Australian National Audit Office of various aspects of the Plan over time (for example, the performance audit of the Building the Education Revolution).

Commonwealth assurance mechanisms are also being deployed at the National Coordinator level. Examples include Internal Audits of BER implementation at DEEWR¹¹ and site inspections performed by FaHCSIA¹² on the Social Housing Initiative. DEWHA¹³ has completed a program health check in respect of the Energy Efficient Homes program and has a program of extensive audit and compliance activities underway.

This variety of sources of assurance presents its own challenges from a coordination perspective as there is a need to balance strong accountability with a focus on one of the primary objectives, timeliness of implementation.

Some States are developing assurance frameworks to better communicate the types and sources of assurance. New South Wales is currently implementing an assurance framework.

In the course of the Business Assurance Review we have noted the various types of compliance activity and assurance sources and consolidated these across the elements of the Plan. These compliance and assurance matrices are included in [Appendix B](#). Further effort will be required to appropriately leverage the various sources of assurance to ensure the most efficient and effective coverage across the Plan.

Recommendation 8

To ensure that the assurance processes across the Plan are optimised where possible, the Commonwealth Coordinators should consolidate the assurance and compliance matrices developed for the Plan through this review. When additional compliance activity is planned at a Commonwealth level this should consider the extent, type and relevance of assurance activity already being undertaken across the Plan.

Timeframe: Feb 2010

¹¹ Department of Education, Employment and Workplace Relations

¹² Department of Families, Housing, Community Services and Indigenous Affairs

¹³ Department of the Environment, Water, Heritage and the Arts

4

Examples of better practice

4.1 Examples of better practice

Through the review of documentation and interviews conducted across the Plan a number of processes and procedures were identified that are considered to be better practice examples for the relevant area from a governance perspective. These include:

- Probity reviews of significant contract appointments.
- Forensic or suspicious transaction data analysis being conducted across payment cycles within NSW.
- The transition plan developed by the Australia Capital Territory has for the anticipated changes in the governance structure of the Australia Capital Territory Taskforce.
- Procedures for approving milestone payments in South Australia, based on photographic evidence of progress.
- Reporting at FaHCSIA, capturing the actual progress against planned progress, and highlighting areas for attention.

Further detail regarding specific initiatives is provided below.

Defence Housing Australia (DHA) and Social Housing Initiative status reporting

The DHA is operating as business as usual with the construction of an additional 802 Defence Houses under the Plan. DHA has leveraged existing practices and systems that are applicable to the reporting and monitoring of other elements of the Plan involving small to medium scale construction projects.

Key metrics that the DHA apply when forecasting the likelihood of achieving planned activity include leading indicators such as the number of contracts awarded and signed. From previous experience DHA is aware that on average it takes 20 weeks to complete a single dwelling from the date a contract is awarded. Applying similar leading indicators to other elements of the Plan would be a useful tool in predicting potential areas of concern for delivery slippage.

The DHA and the Social Housing Initiative also monitor a number of key milestones when managing construction works including:

- Planning approvals
- On site commencement
- Slab/foundations laid
- Form work erected
- Lock up
- Certificate of occupancy

3B Examples of better practice

These milestones could be applied to projects across the BER and other components of the Plan. The most important factor when monitoring milestones is that they are consistently defined and measured across the Plan.

Reliable milestone measurements will facilitate more accurate monitoring of actual progress against plan.

Benefits realisation plans

New South Wales has developed a benefits realisation plan with the aim of measuring outcomes as a result of the Plan within New South Wales.

The benefits realisation plan aims to report not only on the financial measures and metrics (the primary objective of the Plan in supporting employment) but has also given consideration to possible measures of success in relation to the secondary objectives (improved Social Housing and Educational outcomes). Key aspects to the benefits realisation plan include:

- Measures of key outputs
- Number of jobs supported
- Homelessness
- Other independent economic indicators (housing approvals, business confidence indices, consumer sentiment indices, employment statistics and manufacturing activity) relevant to the assessment of the Plan.

Monitoring and validation of reporting data

The Australia Capital Territory taskforce has implemented a monitoring and reporting function that performs the following tasks before information is submitted to the relevant Commonwealth Agency:

- Reports are reviewed for consistency with detailed traffic light reports provided to the Taskforce.
- The detailed traffic light reports monitor scope, budget and schedule for each project. Explanations are sought and included for an amber or red traffic light. Actions are also included and monitored against red or amber projects.
- Reports are reviewed for consistency with previous reports and additional reports requested by the Commonwealth such as the fortnightly constructions starts statistics provided to FaHCSIA.
- Reviews of project documentation include sense checks of the information provided. For example, whether the proposed cashflow is achievable within the nominated delivery timeframes.
- Spot audits on site are planned for construction activity to assure the taskforce that the status of the information provided is accurate.

Appendices

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Appendix A

Infrastructure elements of the plan as announced in February 2009

Infrastructure elements of the plan as announced in February 2009

Education	Social/Defense Housing	Transport/Infrastructure	Energy efficient homes
\$12.4 billion to build or renew large scale infrastructure, including libraries and halls in primary schools under the Primary Schools for the 21st century program	\$6 billion for the construction of 20,000 social housing dwellings across Australia	\$1.2 billion to improve freight and passenger transport on Australia's railways through the Australian Rail Transport Corporation	\$613 million for the installation of ceiling insulation in private rental properties under the Low Emission Assistance Plan for Renters
\$1.3 billion for minor infrastructure and refurbishment projects for Australian schools under the National School Pride program	\$400 million for 2,500 repairs and maintenance to existing social housing dwellings	\$711 million to accelerate 14 road projects under the Nation Building Program	\$507 million for the replacement of electric hot water systems with solar systems under the Solar Hot Water Rebate
\$1 billion to build 500 science laboratories and language learning centres in secondary schools under the Science and Language Centres for 21st Century Secondary Schools program	\$252 million for the construction of 802 Defence houses	\$300 million to further improve road safety under the Black Spot Program and Repairing Regional Roads scheme.	\$2.7 billion for the installation of ceiling insulation under the Homeowner Insulation Program
\$1.6 billion to support infrastructure investment and strengthen facilities in the training and higher education sectors under the Education Investment Fund and the Teaching and Learning Capital Funds		\$150 million for safety measures at high-risk rail crossings under the Boom Gates for Rail Crossings program	
The bringing forward of an additional \$110 million to build and upgrade trade training facilities in secondary schools through Round 2 of the Trade Training Centres program		\$250 million for all local councils to construct local community infrastructure under the Regional and Local Community Infrastructure program	
		\$550 million for larger strategic infrastructure projects in local communities under the Regional and Local Community Infrastructure Program – Strategic Projects components	
		\$195 million for social and economic development in the East Kimberley under the East Kimberley Development Package	

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¹⁴ Economic Stimulus Plan – Commonwealth Coordinator-General's Report, August 2009

Appendix B

Assurance matrices

Reviews at the State and Territory Coordinator-General level

Independent Governance reviews	Probity/procurement audits	Internal audit reviews	State Auditor General performance audits
National – PwC business assurance review NSW – Taskforce review by O'Connor Marsden and Associates (OCM) TAS – NBESP Audit Office review of preparedness	NSW – Taskforce Office probity review by OCM TAS – Undertaken by the Audit Office and through internal programs of relevant delivery agencies	NSW – Taskforce Office planning process review TAS – Department of Treasury and Finance undertakes comparative analysis for input into quarterly reports to the Heads of Treasury Committee	QLD – QLD Auditor General conducting rolling series of cross sector audits for the Plan

Building the Education Revolution

Quality Assurance and Compliance	Oversight		Independent Assurance					
Quality assurance and compliance	Line agency/program office oversight	State and Territory Coordinators General and Commonwealth oversight	Independent Governance reviews	Probity/procurement audits	Internal audit reviews	State Auditor General performance audits	Commonwealth reviews	ANAO performance audits
<p>ACT – Quantity surveyors appointed to review status</p> <p>NSW – Managing contractors incentivised to achieve timeframes and budgets. Cost estimates reviewed by DET Integrated Program Office</p> <p>SA – Independent cost managers appointed across BER. Independent verifiers appointed across the BER</p> <p>WA – Project management consultancies across 7 districts. 49 architectural consultants engaged to administer building contracts.</p> <p>QLD – Project managers and quantity surveyors providing independent oversight re time, cost and quality.</p> <p>VIC – Independent</p>	<p>ACT – Project managers within Department of Education</p> <p>NSW – Principal Liaison Officers appointed within the DET Integrated Program Office</p> <p>SA – DTEI – Govt Infrastructure Agency responsible for total procurement and delivery of P21 projects</p>	<p>ACT – Central taskforce conducting site inspections to review project status and milestones</p> <p>NSW – Spot audits conducted across the Plan for compliance with contractual conditions and invoicing</p> <p>DEEWR onsite monitoring and reporting</p> <p>SA – Inter Agency governance arrangements implemented</p> <p>VIC – whole of Government BER project board to review project status, milestones and issues resolution.</p>	<p>QLD – Review of systems and processes (PwC)</p> <p>WA – Internal Audit of BER governance (KPMG)</p> <p>TAS – review by State Audit Office</p> <p>NSW – DET program office operations review (OCM)</p>	<p>NSW – Review of DET managing contractors FOI and RFT (OCM)</p> <p>NSW – review of DET procurement data (Deloitte Forensics)</p> <p>TAS – Audit Office review major works procurement</p> <p>TAS – Department of Treasury and Finance undertake comparative analysis and report findings to Heads of Treasury Committee.</p> <p>QLD – Audit Office review of BER – P21 procurement</p> <p>SA – E&Y Report on Probity completed</p> <p>VIC – scheduled probity audit.</p>	<p>NSW – probity review of DET project managers RFT</p> <p>NSW – review of P21 compliance requirements (KPMG)</p> <p>NSW - Review of the governance framework for the BER Program</p> <p>NSW - Review and revision of contractor engagements</p> <p>NSW - Audit of managing contractor procurement processes</p> <p>NSW – Internal Audit review of locally managed school projects</p> <p>NSW - Review of procurement strategies and practices - ongoing</p> <p>WA – Internal Audit of project controls (KPMG)</p> <p>VIC – Internal audit review of NSPP</p> <p>TAS – Internal audit</p>	<p>QLD – Audit Office ongoing audit and report to Qld Parliament of the procurement and probity processes and the overall progress of Plan in Qld</p> <p>TAS – Tasmanian Audit Office review major procurement for Nation Building</p> <p>NT – Auditor General reviewed planned for 2010</p> <p>SA – SA Auditor</p>	<p>DEEWR – Annual audit requirements for acquittal of funds.</p> <p>DEEWR review of Block Grant Authorities and delivery agencies (Walter Turnbull)</p>	<p>ANAO performance audit of BER (DEEWR)</p>

Quality Assurance and Compliance	Oversight		Independent Assurance					
Quality assurance and compliance	Line agency/program office oversight	State and Territory Coordinators General and Commonwealth oversight	Independent Governance reviews	Probity/procurement audits	Internal audit reviews	State Auditor General performance audits	Commonwealth reviews	ANAO performance audits
<p>Program Manager that oversight 4 external project managers.</p> <p>TAS – Range of costs control measures used – quantity surveyors to ensure value for money, negotiate lower prices and value for money with successful tenderers, and project managers overseeing all projects.</p>	<p>VIC – Independent Program Manager oversighted by General Managers, Building the Education Revolution team within the department.</p> <p>QLD – Ministerial Advisory Committee established for guidance and Senior Officers Steering Committee established to monitor weekly the progress of BER</p> <p>TAS – Project</p>	<p>QLD – Fortnightly status report on the BER program by State Coordinator's Program Management Office and Monthly State Coordinator CEO Steering Committee Oversight meeting</p> <p>TAS – Review of information provided by delivery agencies/organisations directly to the Commonwealth</p>			<p>program reviews undertaken internally.</p> <p>SA – DTEI Internal Audit ongoing</p>	<p>General commenced audit</p>		

Quality Assurance and Compliance	Oversight		Independent Assurance					
Quality assurance and compliance	Line agency/program office oversight	State and Territory Coordinators General and Commonwealth oversight	Independent Governance reviews	Probity/procurement audits	Internal audit reviews	State Auditor General performance audits	Commonwealth reviews	ANAO performance audits
	managers within Department of Education Physical and photographic site inspection programs underway across jurisdictions							

Social Housing Initiative

Quality Assurance and Compliance	Oversight		Independent Assurance					
Quality assurance and compliance	Line agency/program office oversight	State and Territory Coordinators General oversight	Independent Governance reviews	Probity/procurement audits	Internal audit reviews	State Auditor General performance audits	Commonwealth reviews	ANAO performance audits
ACT – Quantity surveyors appointed to review status. SA – Housing SA policies and procedures in place for	SA – Housing Sa managing total programme within established procedures.	SA – Regular oversight by SA Coordinator General VIC – whole of Government SHI	TAS – Audit Office review of preparedness with NBESP SA – Procurement overseen by	NSW – review of Housing NSW procurement data (Deloitte Forensics) NSW –probity review of Housing	NSW – assessment of compliance with RFT evaluation plans for Assessment and Valuation	TAS – Audit Office review of major works procurement SA – Auditor General has commenced review	FaHCSIA review of projects through internal business assurance team	

Quality Assurance and Compliance	Oversight		Independent Assurance					
Quality assurance and compliance	Line agency/program office oversight	State and Territory Coordinators General oversight	Independent Governance reviews	Probity/procurement audits	Internal audit reviews	State Auditor General performance audits	Commonwealth reviews	ANAO performance audits
<p>QA and Compliance. Major Projects reviewed by Public Works Committee of Parliament</p> <p>QLD – Project managers and quantity surveyors providing independent oversight re time, cost and quality.</p> <p>VIC – Professional Development Managers engaged and appointed to Housing Associations and quantity surveyors.</p> <p>TAS – Range of measures used - independent, quantity surveyors; land cost index, fixed prices for off-the-plan and project management consultancies.</p>	<p>NBESP Steering Committee and PCG also established for ongoing review</p> <p>VIC – Development Managers oversighted by Directors, Nation Building Housing team with the department.</p> <p>QLD – Steering Committee established to monitor fortnightly the progress of SHI.</p> <p>TAS – Dedicated team established for Social Housing program</p>	<p>project board to review project status, milestones and issues resolution.</p> <p>QLD – Fortnightly status report on the SHI program by State Coordinator’s Program Management Office and Monthly State Coordinator CEO Steering Committee Oversight meeting</p> <p>TAS – Review of information provided by delivery agency directly to the Commonwealth</p>	<p>independent Procurement and Contract Management Unit</p> <p>VIC – Probity audit of SHI performance up to the 3rd quarter 2009.</p> <p>NSW - Housing Program Office operations review (OCM)</p> <p>NSW – Housing NSW program office operations review (OCM)</p>	<p>project managers appointment (OCM)</p> <p>NSW – probity review of Housing PMO EOI for head contractor services (OCM)</p> <p>NSW – probity review of RFT for land and multi unit development (OCM)</p> <p>NSW – probity reviews of RFTs for multi-levels and multi-levels (design and construction) (OCM)</p> <p>VIC – Scheduled another probity review (OCM)</p> <p>FHACSA – probity advice on procurement plans (Oakton)</p> <p>QLD – State Department of Public Works Program and Project Managers overseeing program</p>	<p>Management firms</p> <p>NSW – assessment of DPM Gate documentation</p> <p>WA – Internal audit of Social Housing program</p> <p>TAS – Undertaken by Department of Health and Services overall audit program</p> <p>SA – Programme overseen by Internal Audit</p>	<p>of NBESP</p> <p>QLD –Audit Office ongoing audit and report to Qld Parliament of the procurement and probity processes and the overall progress of Plan in Qld</p>	<p>Assessment of all proposals against an independent costing tool</p> <p>Sample audit of proposals performed by independent assessor to ensure value for money.</p>	

Infrastructure

Independent Governance reviews	Probity/procurement audits	Internal audit program reviews	ANAO performance audits
<p>Review of Nation Building Program risk assessment (Ernst and Young)</p> <p>Review of the Nation Building Infrastructure Investment Division's Business Processes (APIS Consulting)</p> <p>Review of Infrastructure Division program management arrangements (also included audit of APMS/IMS) (KPMG)</p>	N/A	<p>Review of Grants Administration (PwC)</p> <p>AusLink Program Management System/Infrastructure Management System Audit (KPMG)</p>	<p>Completed</p> <p>Delivery of Projects on the AusLink National Network (also included audit of APMS/IMS).</p> <p>Audit of Financial Statements.</p> <p>Audits in Progress (at 1 July 2009)</p> <p>Management of the Nation Building Roads to Recovery Program (also included audit of IMS)</p> <p>Management of the Nation Building Strategic Regional Program (also included audit of APMS/IMS)</p> <p>Conduct of the National Infrastructure Audit and Development of the Infrastructure Priority List</p>

Energy Efficiency

Independent Governance reviews	Probity/procurement audits	Internal audit reviews	ANAO performance audits
<p>Project management health check (key milestone review)</p>	<p>External probity advisor on major procurements</p>	<p>Gap analysis of program performance (being procured)</p> <p>Information management review (being procured)</p> <p>Audit, fraud and compliance reviews incorporating site inspections (PwC)</p>	<p>ANAO proposed audit of energy efficient homes package</p>

Appendix C

Statement of work

Nation building – Economic stimulus plan: Program assurance review

Context

As cited in the Commonwealth Coordinator-General's Progress Report on the Nation Building Economic Stimulus Plan for the period 3 February 2009 – 30 June 2009 (on Page 61):

“Now that the establishment phase is nearing completion the Office of the Coordinator-General is working with State and Territory Coordinators General and Commonwealth agencies to develop an overall Program Assurance Framework (the Framework) across the Plan's programs to confirm and review program assurance and probity.

The Framework is providing a platform for assessing business assurance and risk frameworks in relation to governance and systems, including program and project management, procurement and probity processes, and reporting. It includes a stock take of Commonwealth and State and Territory program management practices, as well as interactions between Commonwealth and State and Territory agencies on contractual and reporting requirements.

A national program assurance reviewer will be appointed to conduct a national program assurance review in the second half of 2009 and report to Coordinators General on best practice, risk identification and improved practices as relevant.”

Objective

The objective of this program assurance review is to examine the governance practices designed to monitor the progress and effectiveness of each of the six infrastructure elements in each of the jurisdictions in meeting agreed deliverables and timeframes.

A key part of this review will be to engage with all the State coordinators to report on better practice procedures by jurisdiction, provide an identification of key risks and outline improvement opportunities to provide better governance practices.

Overall, the review will assess whether reasonable arrangements have been put into effect to govern the procurement and execution of the stimulus projects. This will take into account the need for timeliness, and where necessary, what remedial action is being taken to address any weaknesses which may have arisen from the speed with which the projects have been initiated. In particular, we expect to recommend that the better procedures and practices occurring in some States be replicated to develop more consistent reporting between States.

It is intended that the draft report to be completed by 10 November 2009 and a final report by 15 December 2009.

Review approach

The review will comprise three stages, with two interim deliverables, being short discussion papers on areas for further analysis and recommended improvements respectively.

Crucially, this approach is expected to allow the final report to set out not only the areas for improvements, but also to reflect the initiatives being taken by the respective Co-ordinators General and Commonwealth and State agencies to address the recommendations.

We understand that a Steering Committee will be established for this review comprising representatives from key agencies including Infrastructure, the Department of the Prime Minister

& Cabinet, Environment (DEWHA), and Education (DEEWR); Families, Housing Community Services and Indigenous Affairs (FaHCSIA); and the Commonwealth Coordinator-General.

We expect to engage with each of these stakeholders in the course of the review, individually and/or by way of focus group discussions.

The nature and extent of consultation may vary according to the maturity and risk profile of the respective infrastructure funding elements or the governance processes in particular jurisdictions. For example, the Roads and Rail governance processes are expected to be mature and well established, whereas the governance for Schools and Housing will be relatively new and likely to vary in each State. The governance of Energy Efficiency elements is also likely to be less mature, and the Community Infrastructure elements will present particular issues in dealing with Local Government stakeholders.

Timing	Activities	Deliverables	
Stage 1 Planning and initial diagnostic review	Weeks 1-2	<ul style="list-style-type: none"> • Project initiation: Hold kickoff meeting with the key sponsor(s) to agree detailed scope, proposed approach and overall timetable • Analysis: Conduct initial analysis and gather available documentation and reporting artefacts • Co-ordinators General meeting 1: <i>Discuss and agree approach, timetable and highlight potential review priorities.</i> 	Project plan, including agreed priorities for diagnostic review
	Weeks 2-4	Conduct review activities in the following key areas: <ul style="list-style-type: none"> • Governance: Analyse governance arrangements and key assurance processes by program and jurisdiction (strategic governance oversight, program and project management and implementation of risk management and performance monitoring processes) • Procurement: Analyse guidelines, processes and procurement strategies with particular reference to ensuring value for money and cost effectiveness objectives are met in line with FMA Act and equivalent obligations. • Reporting and Benefits Realisation: Review reporting systems (at both the Commonwealth and jurisdictional level) with particular reference to the reporting systems to provide evidence of benefits realisation strategies and tracking against key objectives and defined outputs. • Steering Committee meeting/ Co-ordinators General meeting 2: <i>Discuss outcomes of Stage 1 and agree next steps and priority areas.</i> 	Discussion Paper 1: <i>Overview assessment of governance strengths and opportunities for improvement and areas for further examination</i>
Stage 2 Analysis in priority areas	Weeks 5-8	<ul style="list-style-type: none"> • Analysis of priority areas: Review and analyse priority areas (as identified in Stage 1) and identify relevant areas for improvement • Recommendations: Make relevant recommendations to resolve identified areas for improvement, considering: <ul style="list-style-type: none"> - Existing implementation issues observed across the program - Areas where greater flexibility may be required to expedite delivery • Steering Committee meeting/ Co-ordinators General meeting 3: <i>Discuss recommendations identified in Stage 2. Obtain commitment by stakeholders to initiate remedial action where required.</i> 	Discussion Paper 2 – Recommendations for improvement

Timing		Activities	Deliverables
Stage 3 Reporting	Weeks 8-11	<ul style="list-style-type: none"> Implementation of actions identified: Action by stakeholders to address recommendations identified in Paper 2. 	<i>(PwC to provide ad hoc input to facilitate as required).</i>
	Weeks 8-9	<ul style="list-style-type: none"> Prepare report draft: Commence final report considering the outcomes from Stages 1, 2 and commitments to implement remedial actions to address issues identified Steering Committee meeting 4: Present and discuss the draft report 	Initial draft report
	Week 15	<ul style="list-style-type: none"> Progress discussion with Co-ordinators General meeting: Focus on extent to which the matters identified in Stage 2 are being addressed; and any reasons why any problems are occurring (ie frameworks not being adhered to, or gaps in the framework). Updates to draft report: Obtain detailed feedback from review sponsor and other stakeholders and update report accordingly. 	Preliminary Draft report
	Week 15-16	<ul style="list-style-type: none"> Final report: Deliver the final report to the Steering Committee by 15 December incorporating feedback received. 	Final report

Review team

The team comprises:

- 1 **A project core team**, with the majority of individuals based in Canberra, who will project manage, oversee and deliver the review, and provide a single point of contact;
- 2 **Subject matter experts**, who will each provide specialist advice to the core team on each Funding elements as required; and
- 3 **State and Territory based lead partners**, who will provide a local perspective and local access if and when required, particularly for the 'vertical slice' stages of the project.

