



Mr Jason Yat-Sen Li MP
Chair, Public Accounts Committee
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Dear Mr Li

Response to supplementary questions: Inquiry into accountability measures for decision-making

I am responding to the Public Accounts Committee's request for the Audit Office of New South Wales to answer additional supplementary questions, which were provided to us by the secretariat in an email dated 10 July 2024. Our response to both questions is provided below.

Question 1. Has the Audit Office of NSW identified any common gaps or weakness in government agencies' businesses cases, business case processes or business case assurance in the last 3 to 5 years?

The Audit Office has completed several performance audits with findings and recommendations that are relevant to the Committee's supplementary questions. The most pertinent of these are:

- Regional digital connectivity (2024)
- Workers' compensation claims management (2024)
- Design and administration of the WestInvest program (2024)
- Management of the Critical Communications Enhancement Program (2023)
- WestConnex: changes since 2014 (2021)
- Delivering school infrastructure (2021)
- Health capital works (2020)
- CBD south east Sydney light rail: follow-up performance audit (2020).

The findings in the audit reports listed above indicate common gaps or weaknesses across the audited NSW government agencies regarding the development of business cases or business case assurance. The most common and impactful of these are summarised below:

- Programs and projects announced prior to developing a business case had less (or no) opportunity to consider a range of options to meet the service needs, and the processes used for eliminating other options were not transparent.
- Major programs and procurements for services commenced without a business case or other economic analysis to support the chosen model compared to other options (relative potential benefits, costs and consequences of investment choices). The absence of a business case or other similar detailed analysis reduced accountability for improved outcomes.

- A lack of clarity in the intended purpose and objectives of a program, which is needed to support future project-level business case development, as well as the coordination and prioritisation of objectives across the business cases that have already been developed.
- Several business cases underestimated costs and risks, which led to scope, timeline, and budget increases. Where agencies have properly identified risks, these risks have often not been quantified to assess the impact on the business case.
- In some cases, costs directly attributable to the program or project were not included, they were not consistently and accurately updated, or there was inadequate tracking of costs through the life of a program or project.
- Some decisions were made to separate related projects and deliver them outside of the funded business case, which understated the total cost of the program achieving its objectives and limited the transparency of reporting to the public. It also meant there was no 'whole-of-program' assurance process - meaning elements of the program underwent assurance separately with no visibility on risks to deliverability of the whole.
- Major scope changes or variations in assumptions in subsequent revised business cases, without adequate documentation of the rationale for doing so or the decision-making process.
- Limited public transparency. Business cases are often classified as cabinet in confidence and are not published - either in part or in full. Therefore, members of the public have limited access to information other than the summary of each final business case for projects over \$100 million published on the Infrastructure NSW website, and program and project updates provided in NSW Budget papers and media releases. Public reporting on benefits realisation against estimates in final business cases is rare, reducing incentives for these estimates to be as accurate as possible and limiting transparency to the public about the intended and actual outcomes of impactful projects.

Similar findings to the above, as well as further examples from previous performance audits, can be found in the 'Audit Insights 2018-2022' report, summarising key findings and recommendations from audit reports over that period.

Question 2. How could further improvements to assurance and business case related processes be made to improve:

- **the accuracy and reliability of business cases?**
- **the accountability of benefits delivered?**
- **the investor assurance process?**

The Committee has also asked for my opinion on any further improvements to assurance and business case related processes. Each of our performance audit reports listed above contain auditee-specific recommendations. Looking across these reports, our recommendations fall into five main categories:

- Agencies need to allocate adequate time to conduct transparent processes to objectively assess a range of options to meet service needs before programs or projects are announced ahead of full business case development.
- Governance arrangements should be established that are commensurate with the size, complexity and risk of the program or project.
- There should be transparent whole-of-program review and assurance on total costs and benefits throughout the project life cycle, including when complex projects are split into sub-projects.
- There should be enhanced accuracy and transparency in public reporting. When delivering complex major infrastructure projects, it is reasonable to expect changes to the original design and scope. Where design and scope changes significantly change the program (or project) costs and/or expected benefits, the justification for these changes should be robust and transparent.
- There should be public reporting on benefits realisation after projects are complete and operating. This would create incentives for accurate benefits definition and provide transparency to the community on project outcomes.

Thank you for the opportunity to provide further input to this important parliamentary inquiry. Please do not hesitate to contact me if you would like further information about my reports to Parliament, or to discuss my response to the supplementary questions.

Yours sincerely



Bola Oyetunji
Auditor-General for New South Wales