

Managing and Reporting on the Performance and Cost of Capital Projects

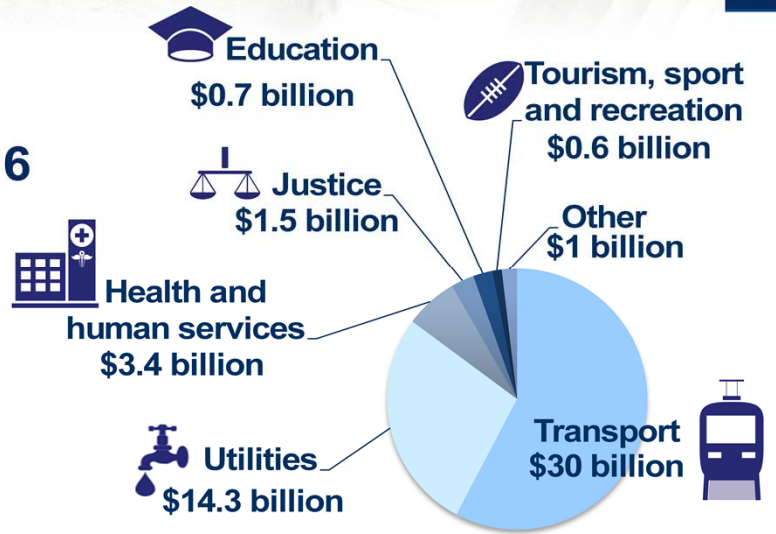
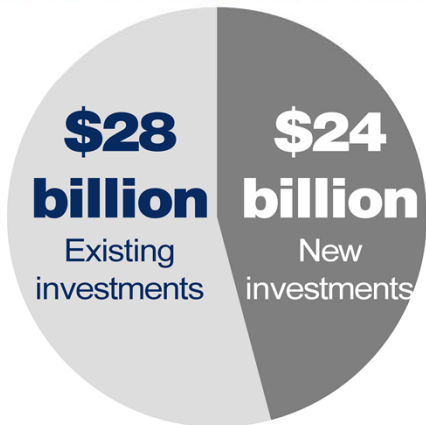
Tabled 4 May 2016

This presentation provides an overview of the Victorian Auditor-General's report, *Managing and Reporting on the Performance and Cost of Capital Projects*.

Background

\$52 billion

State investment in 2015–16



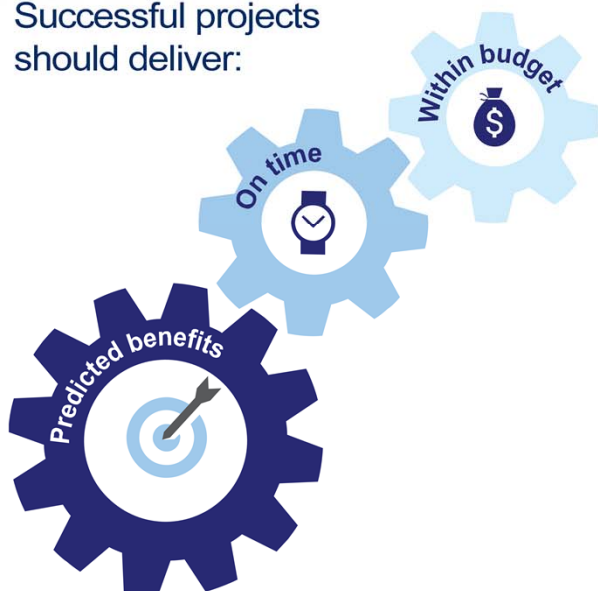
Based on the State Capital Program, Budget Paper No. 4, 2015–16.

Victoria is investing billions of dollars in its capital works program to improve and build hospitals, schools, roads, public transport and other infrastructure to support the delivery of a wide range of important services.

For 2015–16, the total estimated investment in new projects and previously announced projects still under construction in the State Capital Program budget is approximately \$52 billion. This includes \$28 billion in existing investments and \$24 billion in new investments.

Background

Successful projects should deliver:



Scale and complexity of capital projects means that delivery is a major challenge for agencies:

Unexpected cost blowouts

- impact the state's finances

Unforeseen delays

- community has to wait longer for the promised benefits

Unreliable benefit estimates

- risk distorting government's decision-making

Parliament and the community rightly expect that publicly funded capital investments are planned and managed in a way that delivers the predicted benefits on time and within allocated budgets.

The scale and complexity of capital projects in the state budget mean that successful delivery represents a major challenge for public sector agencies. Unexpected cost blowouts can significantly impact the state's finances and affect the government's ability to deliver its wider policy agenda. Unforeseen delays also mean the community has to wait longer for the promised benefits, and unreliable benefit estimates risk distorting government's decision-making.

What we looked at

4



Survey of **30**
agencies

251 projects
with investment
>\$10 million



Limited review of
15 projects

15 agencies

Criteria



Time



Cost



Scope



Development



Delivery

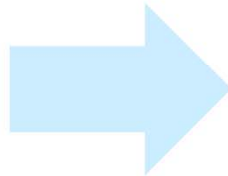
Previous VAGO reports on major infrastructure have identified significant weaknesses and recommended improvements in the way projects are developed and delivered, and in how outcomes are measured and reported.

This audit builds on those previous audits of individual major projects. It is a broader examination of projects with a total estimated investment of \$10 million or more, and which are listed in the 2015–16 State Capital Program Budget Paper. Specifically, we examined how effectively agencies manage the time, cost, scope, development and delivery of major capital projects.

What we found



Limited public reporting and lack of transparency



Difficult to determine if investment has been efficient, economical and effective

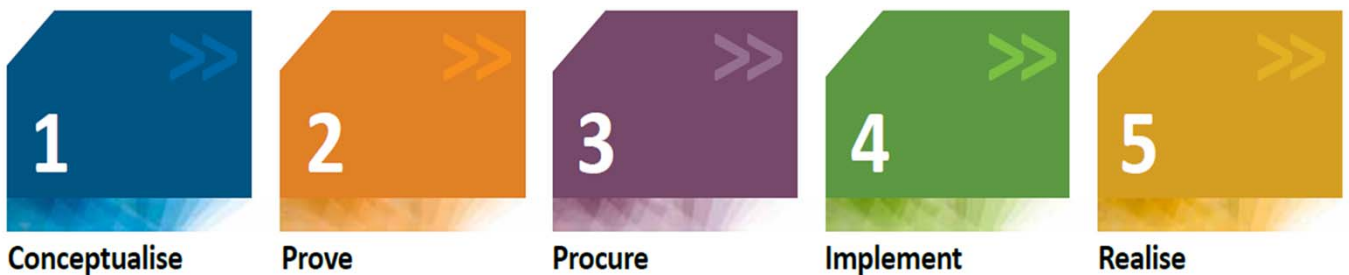
Despite the significant capital expenditure, we found that obtaining current information on capital projects across the public sector is a complex and challenging exercise and there is limited public reporting.

This lack of transparency makes it difficult to determine whether investments have enhanced government services and whether public resources have been spent in an efficient, effective and economical way.

Some agencies found providing the information requested for this audit onerous and resource intensive. This raises concern about the level of scrutiny they apply to their capital projects as part of their governance processes.

Review of supporting documentation

Agencies should prepare project documentation in line with the Department of Treasury & Finance's (DTF) *Investment Lifecycle and High Value/High Risk Guidelines*.



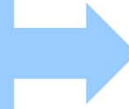
The information provided shows that a high proportion of agencies purport to prepare capital project documentation in line with the Department of Treasury & Finance's (DTF) *Investment Lifecycle and High Value/High Risk Guidelines*.

Review of supporting documentation



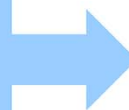
Detailed examination of 15 projects' documentation

Planning documentation



Agencies could only provide 12 out of 15 business cases, and only 50% met requirements

Procurement documentation



14 out of 15 had undertaken procurement, but <50% substantially met each of the requirements

Post-implementation review and benefits realisation

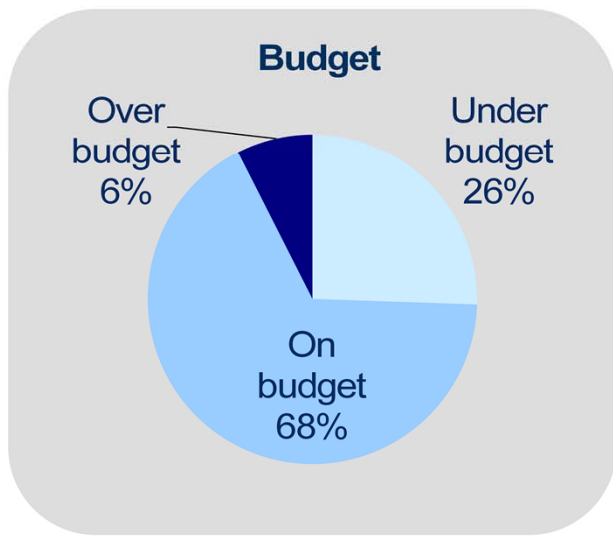
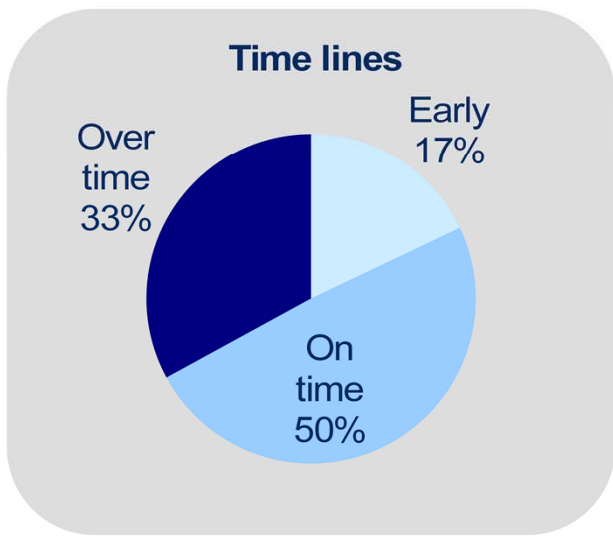


Out of the 4 projects that were completed, 3 are planning to review 1 is part of a larger program

However, my more detailed examination of 15 projects showed gaps or weaknesses in around half of the documentation reviewed.

Performance against budget and time lines

Results from VAGO's survey of 30 agencies, 2015



This is a significant concern because complying with the lifecycle guidelines can help mitigate the risks that projects will be late or over budget or will not adequately define and deliver their intended benefits.

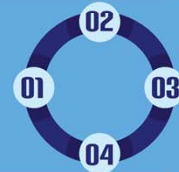
Recommendations

01

Establish a reporting mechanism

**02**

Implement an approach to verify compliance with lifecycle guidance

**03**

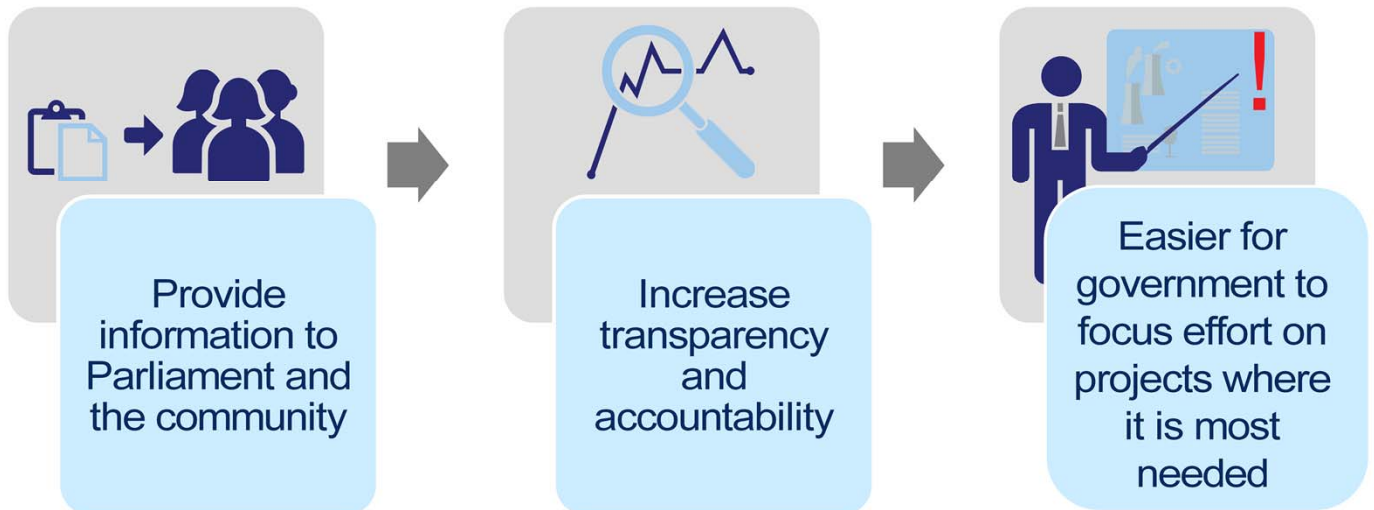
Review agency performance and provide feedback



Our recommendations target the need for agencies to implement a documented and consistent approach to verify that they have complied with DTF's lifecycle guidelines. They also address the need for DTF and the Department of Premier & Cabinet to advise government on how best to track the progress of capital projects and make this information available to Parliament and the community. By providing this information, the government can improve project transparency and accountability, and allow the public to compare projects using standardised metrics across agencies. It will also make it harder for underperforming projects to go unnoticed and easier for government to focus effort on projects where it is most needed.

Recommendations

10



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For further information, please view the full report on
our website: www.audit.vic.gov.au

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