

# **Auditor General's Report**

Reports of the Performance Audit of the  
Redevelopment of Bruce Stadium

Report 12            Governance and Management

PA98/11

September 2000

The Speaker  
ACT Legislative Assembly  
South Building  
London Circuit  
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with section 17 of the *Auditor-General Act 1996*, I transmit to the Speaker my Report titled *Bruce Stadium Redevelopment: Report 12 Governance and Management* for presentation to the Legislative Assembly by the Speaker. This Report is one of twelve reports arising from my performance audit of the Bruce Stadium redevelopment.

Yours sincerely,

John A Parkinson

## GUIDE TO THE REPORTS OF THE AUDIT

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The redevelopment of Bruce Stadium project involved a wide range of activities, including construction, financing, marketing, operating the Stadium and bidding for and hosting Olympic soccer. Each of these activities was important to the redevelopment project and therefore was included in the performance audit.

For convenience of compilation and publication, the results of the Audit are provided in a series of reports. It should be noted that the reports are not intended to stand alone. For a complete understanding of the Audit's outcome, readers need to refer to all reports. The Audit has been reported in a series of 12 reports as outlined below. The reports are shown diagrammatically in the accompanying chart.

**Report 1 Summary Report** This Report summarises all aspects of the Audit. It lists the Audit's objectives and opinions and contains chapters on the outcomes and components of the redevelopment, factors that contributed to the outcome and the Audit's methodology. The Report contains synopses of each of the other reports of the Audit.

**Report 2 Value for Money** The question of whether the cost incurred in redeveloping the Stadium represents value for money is most important in the overall assessment of the redevelopment project. This Report provides an opinion on whether the costs incurred in redeveloping the Stadium represent value for money for the Territory.

**Report 3 Costs and Benefits** This Report provides an opinion on whether the economic benefits from redeveloping and operating the Stadium and hosting Olympic soccer are, or will be, greater than the costs incurred in redeveloping and operating the Stadium and hosting Olympic soccer.

**Report 4 Decision to Redevelop the Stadium** In July 1996, SOCOG invited the Territory to submit a bid to host Olympic soccer. In September 1996 the Cabinet agreed to submit a bid and to upgrade the Stadium should the bid be successful. This Report provides an opinion on whether the decision to redevelop the Stadium was made with the aid of relevant, accurate and complete information. The Report discusses redevelopment proposals in 1993 and 1994, the bids in 1995 and September 1996 and related capital works proposals.

**Report 5 Selection of the Project Manager** This Report provides an opinion on whether the selection of the project manager was based on sound management practices. The Report summarises the Government's purchasing policy and includes a comparison of the selection process used with the policy. It discusses the tendering process, the probity review and the project management agreement.

**Report 6 Financing Arrangements** The total cost of the redevelopment was originally estimated at \$27m. This was to be financed by a \$12m appropriation with the balance to be provided by sales of Stadium products (e.g. a passholder program, naming rights and corporate suites) and borrowings. Considerable work was undertaken and costs incurred in efforts to have a financing structure developed. This Report provides an opinion on whether the management of the financing arrangements to meet the costs of redeveloping the Stadium was effective. The Report outlines the financial structures contemplated and comments on the utility of the final structure developed.

**Report 7 Stadium Financial Model** The Stadium financial model was a key document referred to in the decision to redevelop the Stadium and was used as an indicator of the commercial viability of the redeveloped Stadium and as a justification for several major decisions. This Report provides an opinion on whether it was reasonable to use the model as a reliable primary document for decision making.

**Report 8 Actual Costs and Cost Estimates** This Report provides an opinion on whether the actual costs of the redevelopment were contained within the cost estimates on which Cabinet decisions were based. It also includes reference to costs which were met from funds appropriated for other purposes and identifies the major items that contributed to cost increases. It explains some of the major factors that contributed to the actual costs being significantly in excess of original estimates.

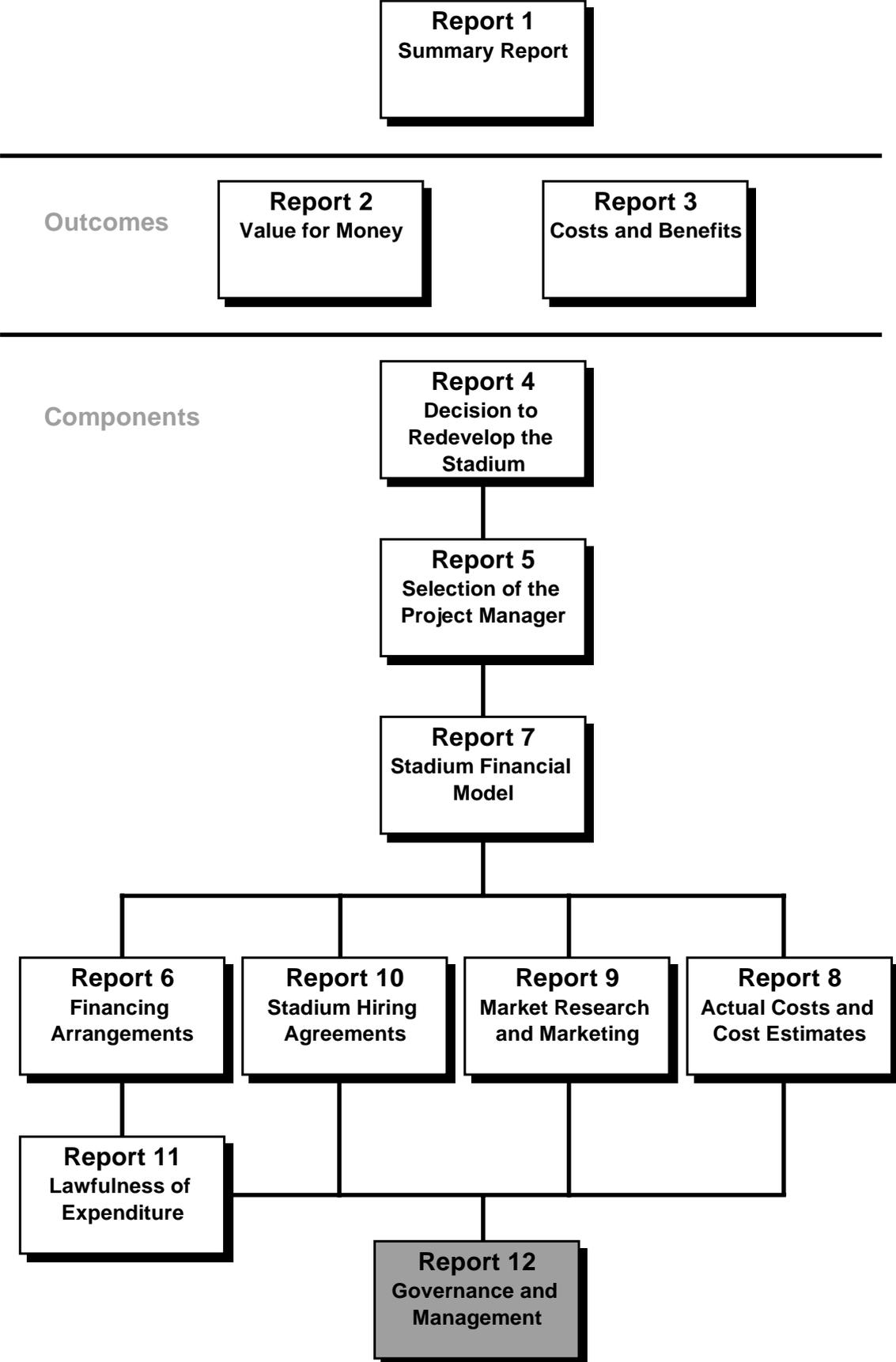
**Report 9 Market Research and Marketing** In mid-1998, a consortium was appointed to market and sell the Stadium's products. Only a fraction of the forecast revenue was raised. This Report provides an opinion on whether the management of market research and marketing has contributed to the commercial viability of the Stadium's operations. Comments are provided on marketing research and the selection and monitoring of the marketing consortium.

**Report 10 Stadium Hiring Agreements** The redevelopment plan included negotiation of new hiring agreements with the major hirers of the Stadium. Negotiations with the hirers commenced in July 1997 and continued throughout 1998. The agreements included large revenue assurance guarantees, particularly for one hirer. This Report provides an opinion on whether the negotiation of the Stadium hiring agreements has contributed, or will contribute, to the commercial viability of the Stadium's operations. The Report discusses the Heads of Agreements settled with the teams, negotiation principles agreed by the Cabinet and the revenue assurance guarantees.

**Report 11 Lawfulness of Expenditure** After funds appropriated for the redevelopment were exhausted, funds were provided from the Central Financing Unit of the Chief Minister's Department. This Report provides an opinion on whether the payments made for the redevelopment in excess of the amounts appropriated were lawful and whether the overnight borrowing on 30 June 1998 was lawful.

**Report 12 Governance and Management** This Report comments on the governance framework in the Territory and those arrangements specifically set up to oversight and manage all aspects of the project to redevelop and operate the Stadium. The Report provides an opinion on whether governance and management arrangements for the redevelopment project were effective. It comments on submissions to the Cabinet, operational management and human resourcing arrangements.

# REPORTS OF THE AUDIT



# **REPORT 12**

## **GOVERNANCE AND MANAGEMENT**

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# 1. GOVERNANCE AND MANAGEMENT - OVERVIEW

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## INTRODUCTION

1.1 The audit of the Bruce Stadium redevelopment included how the redevelopment project was governed and managed.

1.2 The audit objective addressed in this Report was to provide an independent opinion to the Legislative Assembly on whether governance and management of the redevelopment project were adequate.

1.3 This Report describes and comments on the governance framework in the Territory and the arrangements specifically set up to oversight and manage the redevelopment of the Stadium.

1.4 The Report also draws together those observations, findings and conclusions made in other reports of the Audit that have relevance for its governance.

1.5 Individual chapters address and comment on:

- the framework for direction and control;
- direction and control of the project;
- submissions to the Cabinet;
- operational management of the project;
- consultants and staffing;
- Project Control Group procedures;
- analyses used to support decision making; and
- options for management of the project.

1.6 This Chapter of the Report presents an overview of the Audit as outlined in the previous paragraphs and states the Audit's overall conclusion on the Audit objective. Readers should be aware that some comments in this overview Chapter are repeated in the following Chapters.

## BACKGROUND

1.7 In this Report project governance is taken to include the processes by which the project was directed and controlled. Governance also included the quality of the processes that led up to decision making by the Cabinet.

1.8 The governance framework for the project included the Australian Capital Territory (Self-Government) Act, the Public Sector Management Act, the Financial Management Act, the Code of Conduct for Ministers and the Cabinet Handbook. Governance arrangements also include the formalised arrangements between individual Ministers and appropriate departmental Chief Executives.

1.9 The Audit's review of governance arrangements for the redevelopment included the procedures for the development and provision of balanced comprehensive advice. The Audit also reviewed systems put in place to identify and manage risks associated with the project and the provision of comprehensive and timely information to Ministers on important matters and the recording of any directions given by those Ministers. The results of the Audit as outlined are summarised in the following Chapter and described more fully in later Chapters.

## CONCLUSION

1.10 Governance arrangements were not effective in that:

- no Chief Executive appears to have exercised Chief Executive responsibility for the project during the critical period leading up to the Cabinet's decision to redevelop the Stadium;
- from the end of March 1998, it seems that the project was progressed without any significant Chief Executive involvement;
- seven of the nine submissions to the Cabinet on the redevelopment contained significant inaccuracies and/or were incomplete;
- effective arrangements were not put in place to identify, analyse, prepare for and treat risks that could arise during the project;
- proper economic or financial analysis of the redevelopment or of hosting Olympic soccer were not undertaken; and

- a very limited number of Ministerial directions, submissions, briefs and notes could be located to evidence that the Chief Minister was kept informed on the project's progress or issued any directions in relation to the redevelopment project.

1.11 Management arrangements were not effective in that:

- the two executives who were assigned responsibility for the project had many concurrent and unrelated duties and only applied a small proportion of their time to the redevelopment project;
- no effective business planning process was adopted for the project and no business plan was approved for the project;
- the Project Control Group<sup>1</sup> was not effective in managing the redevelopment project;
- consultants work was mostly accepted and relied upon without question;
- only one person was initially assigned to the project on a full time basis and that person had limited relevant experience and no relevant tertiary qualifications; and
- administrative and decision making processes were weak and in some cases non-existent.

1.12 The matters listed and some other related matters are discussed in the following paragraphs. The matters are more fully discussed in individual Chapters of this Report.

### **Cabinet and Ministerial Responsibility**

1.13 The statutory provisions for governing the Territory and the responsibility for making related decisions are clear. The Cabinet, which is chaired by the Chief Minister and includes other Ministers, has a collective responsibility for governing the Territory. In this regard, the Cabinet relies on formal submissions made by individual Ministers on the basis of work done on their behalf by executives in agencies for which they are responsible.

1.14 There is a clear line of responsibility from the Cabinet through

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<sup>1</sup> The responsibility and membership of the PCG is discussed at *Chapter 7*.

individual Ministers, including the Chief Minister, to Chief Executives and thence to responsible executives. Ministers have responsibility for all aspects of strategic decision making and broad responsibility for the performance of their departments.

1.15 The Chief Minister had Ministerial responsibility for almost all aspects of the redevelopment of the Stadium and the bid to host part of the Olympic soccer tournament.

### **Chief Executive Responsibilities**

1.16 Chief Executives have a statutory responsibility for the administration and business of their departments, subject to the overriding responsibility of the relevant Minister. They also have a statutory responsibility for providing advice to the relevant Minister on all significant matters relating to the department under their control. Other executives are responsible to the relevant Chief Executive for the achievement of assigned outputs. In discharging their responsibilities, Chief Executives and other executives are required to exercise reasonable care and skill, act impartially and act with probity.

1.17 Four successive departmental Chief Executives had legislative responsibility for the project. Mark Baker and Annabelle Pegrum had responsibility as Chief Executives of the Department of Business, the Arts Sport and Tourism (BASAT). Alan Thompson and Rod Gilmour had responsibility as Chief Executives of the Chief Ministers Department after responsibility for the project was transferred to that department.

1.18 Although Mark Baker had legislative responsibility it seems that he did not exercise Chief Executive responsibility for the project during the period leading up to the decision by the Cabinet to redevelop the Stadium and bid to host Olympic soccer. Mark Baker who was the then Chief Executive of the responsible department has advised the Audit that he was told that the project was a special one which would be overseen by the Chief Minister's Department. John Walker, the then Chief Executive of the Chief Minister's Department, however, has advised the Audit that he had no responsibility for the redevelopment.

1.19 Ms Pegrum had Chief Executive legislative responsibility for the project from the time she was appointed as Chief Executive of BASAT, soon after the Government decided to redevelop the Stadium, until the Department was abolished in March 1998. During this time Ms Pegrum

was closely involved in the project. She also had a specific contractual obligation to deliver the project. The project was specifically mentioned in her purchase agreement with Mrs Carnell as Minister for Business and Employment.

1.20 Mr Thompson and Mr Gilmour had successive legislative responsibility for the project from the end of March 1998 when the Department of Business, the Arts, Sport and Tourism was abolished, until the projects completion in mid-1999. From the material available to the Audit, however, it appears that during this period the project was progressed without a Chief Executive exercising responsibility to any significant extent. If a Chief Executive had been involved in the redevelopment project during this time, it is possible that at least some of the difficulties identified in the Audit may have been better addressed.

1.21 During this period, the General Manager, Business and Strategic Business Projects in BASAT and subsequently as Executive Director in CMD, Ms Ford and the Under Treasurer, Mr Lilley appear to have been fully responsible for the project. Both executives represented the Territory on the Project Control Group and managed all matters relating to the project including construction, financing, marketing and the hiring arrangements.

### **Communications between Minister and Chief Executives and Executives**

1.22 The Audit was advised that the Chief Minister was kept informed of developments on the project by Chief Executives and other executives on a frequent basis<sup>2</sup>. The Audit, however, has sighted very few written Ministerial directions, submissions, briefs and notes that evidenced such communication.

1.23 In the absence of documentation, the Audit was unable to confirm the information which was provided to the Chief Minister. Also in the absence of documentation, the Audit was unable to identify any directions which the Chief Minister may have provided to Chief Executives and/or executives.

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<sup>2</sup> Annabelle Pegrum, 14 January and 31 March 2000, Alan Thompson, 13 January 2000, Moiya Ford, 14 January 2000 and Mick Lilley, 16 February 2000.

## **Cabinet Submissions**

1.24 The Cabinet had overall responsibility for making decisions associated with the redevelopment of the Stadium and hosting Olympic soccer. Nine submissions were submitted to the Cabinet to inform it in making decisions in this regard. The contents of seven of the submissions on the redevelopment project contained significant inaccuracies and/or were incomplete.

## **Direct Responsibility for the Project**

1.25 As indicated previously, two executives<sup>3</sup> had executive level responsibility for managing the redevelopment. Both of these executives, had a range of other concurrent and unrelated duties. They applied a small proportion of their time to the redevelopment. This may have created difficulties particularly in ensuring that important issues were given in-depth consideration and timely decisions were made.

## **Business Planning**

1.26 Although a draft business plan was prepared by a consultant, no comprehensive and documented business planning process was adopted for the redevelopment project. As a result no business plan was approved for the project. The development and endorsement of a business plan would have been expected to be an essential step in the overall management of the project. A well considered, agreed and understood business plan would have facilitated consistent decisions.

## **Risk Management**

1.27 The identification and assessment of risk is an important element of effective project governance. It is also an important operational consideration. No formal consideration appears to have been given to the risks that confronted the project. In addition, no arrangements were put in place to identify, analyse, prepare for and treat risks that could arise during the project.

1.28 The development and endorsement of a comprehensive risk management strategy would have been expected to be an essential step in

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<sup>3</sup> Mick Lilley and Moiya Ford

overall governance and management arrangements for the project. The absence of such a strategy meant that some risks materialised without any prior remedial action being contemplated and other risks were managed in an unplanned manner.

### **Project Control Group**

1.29 A Project Control Group was established. The purpose of the Group was to provide a key decision making forum for the redevelopment project.

1.30 The Project Control Group had no formal charter. Membership arrangements were not settled in that individual members' responsibilities and accountabilities were not defined. No person was formally appointed as a chairperson. The Audit is unable to draw a definite conclusion on whether these matters allowed significant problems in the implementation of the redevelopment to go unresolved or to be resolved in an ad hoc manner.

1.31 It would have been sound management practice, however, to formally settle these matters. In addition, the Group was an impracticable vehicle to resolve marketing, hiring agreements and financial issues. On the balance of the information available, the Audit concludes that the PCG was an ineffective mechanism for ensuring the total project was managed effectively.

### **Use of Consultants**

1.32 The Audit's review of various aspects of the redevelopment project revealed that for several important activities the work of consultants was accepted and relied upon with little or no questioning or review.

1.33 The Audit considers that all consultants work should, at the least, have been reviewed for reasonableness. If the reasonableness of the work was accepted, the level of the works' importance to the redevelopment project should have guided the extent and depth of any further examination needed. Less important work would need little or no further examination, while work that was highly important to the successful outcome of the redevelopment, should have been examined in detail.

1.34 Clearly executives should not rely unquestioningly on the work of

consultants. The ability of executives to critically examine the specialised work of some consultants may be limited. Nevertheless, if outcomes for which they are responsible are not achieved, the executives cannot expect to rely on the fact that they followed a consultant's advice to justify their management performance as being acceptable.

### **Staff Resources**

1.35 Initially only one full time person was assigned to the redevelopment. That person had limited relevant experience and no professional qualifications.

1.36 Due to the lack of staff resources assigned to the project there was minimal capacity to oversight or manage what was a complex and risky project. The understaffing of the project significantly contributed to weak and, in some cases non-existent, administrative and decision making processes and to other difficulties encountered during the project. In short, staff resources allocated to the redevelopment project were grossly inadequate.

### **Economic and Financial Analyses**

1.37 Sound economic or financial analyses of the Stadium redevelopment were not conducted. No proper analysis was conducted before bidding for Olympic soccer, proceeding with the redevelopment, or signing the Memorandum of Understanding with SOCOG. None have been conducted since these decisions were made.

### **Governance Alternatives**

1.38 No separate agency or steering committee was given responsibility for the overall management of the project.

1.39 In its successful submission for selection as project manager for the redevelopment, CRI had proposed that a commercial 'hands-on' approach to the management of the Stadium be adopted. Under such an arrangement, there would be a full complement of professional staff and the management of the Stadium would directly manage key operational areas such as marketing, sales, catering and the running of the Stadium during major events. This approach could have been adopted by the establishment of a statutory authority or other agency early in the redevelopment.

1.40 No such agency was established. The Audit is of the view that the establishment of an agency may have contributed towards the better management of the project. If an agency had been established, it is possible that the various difficulties encountered with the project may have been more effectively managed than they were.

1.41 Similarly, a steering group or similar form of advisory committee was not established either. Effectively no oversight body was established with the purpose of providing strategic level guidance and solutions on issues associated with the project.

## **OVERALL CONCLUSION**

1.42 The Audit's opinion, based on the evidence gathered during the Audit, is that project governance and management arrangements were not effective. The reasons for the Audit's opinion are summarised in the following paragraphs.

1.43 No Chief Executive exercised responsibility for the project during the period leading up to the decision to redevelop the Stadium. In addition, no Chief Executive appears to have exercised Chief Executive responsibility, to any significant extent, after BASAT was abolished.

1.44 Ms Pegrum had Chief Executive legislative responsibility for the project from the time she was appointed as Chief Executive of BASAT until the Department was abolished in March 1998. During this time Ms Pegrum was closely involved in the project.

1.45 Mr Thompson and Mr Gilmour had successive legislative responsibility for the project from the end of March 1998 when the project was transferred to the Chief Minister's Department, until the projects completion in mid-1999. From the material available to the Audit, however, it appears that during this period the project was progressed without Chief Executive involvement to any significant extent.

1.46 Seven Cabinet submissions were inaccurate and/or incomplete, no risk management arrangements were put in place and no reliable economic or financial analyses of the redevelopment were undertaken. Only a very limited number of Ministerial documents could be located to evidence that the Chief Minister was kept informed of important matters on the project or issued guidance on these matters.

1.47 Management arrangements also were not effective. In summary, the reasons for the Audit’s opinion includes that the two executives who were assigned responsibility for the project applied only a small proportion of their time to managing the project. In addition, no business planning process was adopted, the Project Control Group was not effective and there was minimal review of consultants’ work. Only one person was initially assigned to the project on a full time basis and that person had limited relevant experience and qualifications.

1.48 In summary, the Territory has a statutory and administrative framework in place to provide for the effective governance and management of major projects. In respect of the redevelopment of the Stadium, however, there were serious omissions and deviations from the framework which resulted in both governance and management arrangements not being adequate.

## DEPARTMENTAL RESPONSE

1.49 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this Report was provided to the Chief Executive of the Chief Minister’s Department for his consideration and comments. The Chief Executive’s response is set out following.

*1. “The general conclusion of this report, that governance and management arrangements for the project to redevelop Bruce Stadium were ineffective is based on a series of often contestable propositions.*

### ***Ministerial Accountability***

*2. Before dealing with the more contentious of these propositions, I wish to provide some comments on the general concepts of Ministerial and Chief Executive accountability, the formal aspects of which are addressed in this report.*

*3. The traditional view of Ministerial responsibility was that Ministers were responsible to Parliament for their own actions and for the actions of their departments. That principle can no longer be applied in its simplest form because of the size, complexity and pace of modern government. Ministers cannot be expected to be aware of everything that their departments do, or necessarily to possess the specific technical knowledge of their areas of responsibility. The small numbers of Ministers, the combination of state and local responsibilities and the attendant pressures on time, amplify these limitations in a small jurisdiction such as the ACT.*

4. Put simply, there are real practical bounds to the depth of Ministerial responsibility. Ministers (and Chief Executives) must rely on the advice and actions of others. They meet their accountability obligations by ensuring that officers have a clear understanding of Government policies and management requirements, that appropriate policy guidelines and financial delegations are in place, that officers are made aware of these requirements, receive appropriate training, there is appropriate scrutiny of performance against key outputs and performance measures and effective two-way management communications.

5. The practical limitations of Ministerial responsibility are acknowledged in this Audit report, and are well summarised in the Code of Ministerial Conduct adopted in April 1995, which is summarised at paragraph 2.24 of the report.

6. In addition, the summary report has found that Cabinet's decisions on the project were consistent with the content of the submissions on the projects provided to Cabinet; and that, if the only information the Cabinet had available was the content of the Cabinet submissions, the Cabinet's decisions on the project were reasonable.

7. The second issue of Ministerial responsibility relates to the development and approval of Cabinet submissions. The Cabinet Handbook, as well as convention, makes it clear that Ministers are responsible for the proposals they bring forward. In turn, Cabinet is collectively responsible for the decisions made in response to such submissions.

8. Usually, and certainly in the case of the various submissions associated with the redevelopment of Bruce Stadium, submissions are prepared by officials and cleared by the relevant Chief Executive or another senior executive. As with the general concept of Ministerial responsibility discussed above, Ministers sponsoring submissions are entitled to rely on the factual accuracy of the material put forward.

9. The real accountability of Ministers is related more to the policy intention embodied in the submission. In that sense the Minister is more the "sponsor" than the "author" of the submission. It is not unknown for Ministers to sponsor submissions with the objective of facilitating a general Cabinet discussion on an issue, without being tied to the specifics of the proposition contained in the submission. Care therefore needs to be exercised in undertaking too literal an approach to the scrutiny of Cabinet submissions.

10. The report is in error in its contention that, as Cabinet decisions are often brief, the submissions on which the decisions are based need

*to be consulted in order to fully understand the context of the decisions. This view is contradicted both by convention and by the Cabinet Handbook. Cabinet decisions must be drafted so as to stand alone and not to require interpretation. Following the course advocated in the report would bring with it the risk of great uncertainty due to the scope for differing interpretations.*

*11. In addition, it is important to be aware that the drafters of submissions as well as those providing briefing notes for use by Ministers will usually have a clear conception of the outcome which they seek. However, actual outcomes are for Cabinet to determine. Aims and outcomes may well differ.*

#### ***Accountability of Chief Executives***

*12. The accountability of Chief Executive Officers in the ACT are somewhat more specific than the accountability of Ministers. As the report notes, each Chief Executive has a performance agreement and a purchase agreement with their respective Minister. These agreements set out both general performance standards as well as more specific deliverables. Even when the implementation of such deliverables are the more specific responsibilities of other senior executives, the Chief Executive retains overall accountability. Where specific deliverables are not specified, direct accountability for a specific task rests with the executive that has been assigned that task.*

*13. As with Ministers, Chief Executives have extensive responsibilities and the time they can devote directly to particular issues is necessarily limited. Intensive focus on particular matters – such as responding to these 12 reports on the redevelopment of Bruce Stadium – is necessarily at the expense of other priorities. That is the reality of senior management, particularly in the very small senior management teams that are characteristic of the ACT administration. This reality is not given much recognition in this report.*

*14. I turn now to some of the more specific conclusions of this report.*

#### ***Exercise of Chief Executive Responsibility***

*15. The first of these conclusions is the lack of the exercise of Chief Executive responsibility at critical periods in the project. I have reviewed the reported comments of some of the Chief Executives involved at the time. Particularly in the case of those who occupied their positions for considerable periods of time, I am concerned by the assertions that they did not have or exercise responsibility for the project. As a Chief Executive, such responsibility cannot be avoided, at least in terms of providing structured oversight of the more detailed*

*responsibility and work of others. This is less the case with new or short term appointees.*

16. *There is a second aspect of the report's findings on the involvement of Chief Executive which requires comment. The report contains the implication that the relevant Chief Executives should have had more direct involvement in the conduct of the project. Such an implication ignores the practical limitations that I have discussed above, while also relying on the wisdom of hindsight to illustrate issues which "ought" to have been given more attention.*

### ***Lack of Documentation***

17. *The second conclusion I wish to address is the criticism of the lack of documentation in the form of Ministerial directions, submissions, briefs and notes and the more general lack of documentation of meetings etc. Some of these criticisms are well founded, while others simply reflect a lack of experience or understanding of the realities of the senior executive environment, or the particular circumstances and scale of the ACT Government and administration.*

18. *As discussed above, the role of Cabinet and Ministers is to set the strategic direction. Once that direction is set, it is up to officials to manage the implementation. There is simply no need for a great deal of ongoing Ministerial direction. What is required is effective, regular, structured and documented reporting. The senior executives more directly responsible for the redevelopment of Bruce Stadium failed to meet that test. That is an error of process which we are seeking to correct in the conduct of current major projects.*

19. *One mitigating factor in terms of the lack of documentation is the relatively small scale of the ACT administration and the ease and frequency of access to Ministers which that limited scale allows. In such circumstances there is a natural tendency towards informality. The challenge is to find the appropriate balance.*

20. *The report is also correct in finding that there were particular shortcomings in the documentation of the processes for the selection of the project manager. The processes undertaken, or at least the documentation of those processes, did not comply with the capital works guidelines operative at the time. The general guidelines on procurement have been substantially revised over the last two years.*

21. *Where I differ from this aspects of the report's findings is in relation to the criticism of a more general lack of documentation, particularly of conversations. These reports frequently comment that*

*officials involved with the project provided particular advice to Audit but that this advice could not be validated by written evidence and thus was given less weight. Some regard has to be had to practical limitations. It is impossible for Chief Executives and other senior officials to make notes of every conversation or aspects of their work in detail in the way Audit is implying. The combined effects of a higher pace of activity, flatter structures and overall reductions in staff resources have all had an effect.*

### ***Inaccurate and Incomplete Submissions***

*22. Issues relating to specific submissions are addressed in my comments on other reports. These Audits judgements are largely a matter of opinion or emphasis, but one issue relating to governance needs to be noted here.*

*23. Cabinet submissions, in accordance with the guidelines in the Cabinet Handbook , are limited in length. There is need to summarise issues and to focus on the key considerations. Sometimes such summaries may be considered to be in error. The issue is whether such errors are material and that is frequently a matter of opinion.*

*24. The report contends that Cabinet submissions should be complete and comprehensive. However, Ministers have limited time to review Cabinet papers, with a typical Cabinet meeting already addressing some hundreds of pages of material across ten to twenty different subjects. There is along established management theory that observes that while a given decision may analytically be dependent on say twenty variables or factors, only two or three of these factors are decisive. The alternative is ‘paralysis by analysis’.”*

## **CONCLUDING COMMENTS**

1.50 The Chief Executive comments in *paragraph 1* of his response that the general conclusion of this Report, that governance and management arrangements for the project to redevelop the Stadium were ineffective, is based on a series of often contestable propositions. At paragraphs 1.10 and 1.11 of the Report, the Audit lists the 12 main grounds on which its findings are based. The content of the Chief Executive’s response, however, ‘contests’ parts of only three of these findings. The Chief Executive, however, also raises a number of other matters.

1.51 The significant issues raised by the Chief Executive are discussed in the following paragraphs.

1.52 The Chief Executive raises the issue of Ministerial responsibility in *paragraphs 2 to 11* of his response. At *paragraphs 3 and 4* the Chief Executive comments that Ministers cannot be expected to be aware of everything that their departments do. The Ministerial Code of Conduct, which is referred to at paragraph 2.24 of the Report, recognises this by stating that Ministers have broad responsibility for the operations and performance of their departments. The Chief Executive also comments that the small number of Ministers in the ACT amplifies the time pressure on Ministers. At paragraph 2.27 of this Report the Audit recognises that as a practical matter Ministers cannot direct and be responsible for all actions taken within their department. The fact, however, that the ACT only has a small number of Ministers should not lessen the extent of their responsibility as established in the Ministerial Code of Conduct.

1.53 The Chief Executive discusses Ministerial responsibility for Cabinet submissions in *paragraphs 7 and 8*. At *paragraph 8* the Chief Executive comments that Ministers sponsoring submissions are entitled to rely on the factual accuracy of the material put forward. The Audit generally agrees that Ministers should be able to rely on the factual content of submissions. However, as Ministers are required to approve and sign all submissions before their colleagues consider them it would be expected that Ministers would carefully review the submissions before approving them. At paragraph 2.9 of this Report, the Audit draws from the Cabinet Handbook in noting that Ministers are responsible for their own proposals even though others do the drafting.

1.54 The Chief Executive comments at *paragraph 9* that the Minister is the ‘sponsor’ of a submission and that Ministers may sponsor a submission to facilitate debate on an issue. This is agreed. This is not to suggest, however, that the content of submissions should not be based on accurate factual data.

1.55 The Chief Executive comments at *paragraph 10* that the Report is in error in its contention that, as Cabinet decisions are often brief, the submissions on which they are based may need to be consulted in order to fully understand a decision’s context. The Chief Executive then states that to follow this course would bring with it the risk of great uncertainty due to the scope for differing interpretations. The Audit considers that the opposite actually applies. When decisions are very brief, as many reviewed in this Audit were, the risk of differing interpretations arising actually increases if the relevant submission is not consulted.

1.56 An example of where it would have been necessary to refer to the associated submission is the decision of 23 September 1996 on the submission titled *Canberra – An Olympic City*. The decision recorded includes the Cabinet agreeing that, as part of the Olympic bid the Government would guarantee that, if the bid is successful, the Stadium would be ‘upgraded to full specifications’. What is meant by the term ‘upgraded to full specifications’, can only be gleaned from the related submission.

1.57 A further example of where it is necessary to refer to the associated submission is in the decision of 21 December 1998 on the submission titled *Bruce Stadium – Financing*, where the decision recorded includes that Cabinet agreed that ‘Option 2 as outlined in paragraphs 18 to 22 of the submission ... ensures the best return on the ACT’s investment’. Clearly the submission needs to be consulted in order to ascertain what is meant by Option 2.

1.58 The Chief Executive continues with this theme in *paragraph 11*, where he notes that Cabinet determines actual outcomes intended from a submission, not those drafting the submission. The Audit does not disagree. However, the need to avoid the uncertainty in this regard would seem to argue for clear decisions. In the two examples cited by the Audit above, it is not possible to determine, from the decision alone, what Cabinet intended.

1.59 The accountability of Chief Executives is raised in *paragraphs 12 and 13* of the response. The Audit accepts that Chief Executives have limited time to devote to particular issues. Nevertheless, for a project of such significance as the Bruce Stadium redevelopment, the Audit would expect responsibility and accountabilities to be clearly defined in Chief Executives’ performance agreements as was the case with Ms Pegrum. This did not occur.

1.60 The Chief Executive’s comments at *paragraph 16* that the Report implies that Chief Executives should have had more direct involvement in the conduct of the redevelopment project. The Chief Executive then goes on to state that this ignores the practical limitations on Chief Executives’ time. The Audit recognises that Chief Executives are busy people. The Report notes, however, at paragraphs 3.31 to 3.35, that no formal consideration appears to have been given to identifying, analysing, preparing for and treating risks that could arise during the project. If such an assessment had been undertaken it may have assisted in identifying

those high risk issues where Chief Executives should have been more involved in the project.

1.61 The Chief Executive refers at *paragraphs 17 to 21* to the Audit's criticism about the lack of documentation associated with the project. The Chief Executive agrees that some of the Audit's criticisms are well founded and that senior executives failed to provide effective, regular, structured and documented reporting.

1.62 In regard to *paragraph 18* the Audit agrees that in the normal case there may be no need for a great deal of ongoing Ministerial direction when a project is proceeding in accordance with the strategic direction set by the Cabinet. By any measure, however, the redevelopment project did not proceed according to the strategic directions set by Cabinet and hence Ministerial direction would seem to have been required. At paragraph 3.24 of the Report, the Audit notes that the Chief Minister was kept informed of developments on the project on a frequent basis. In the absence of documentary evidence, however, the Audit has been unable to confirm the content of information provided to the Chief Minister or whether the Chief Minister provided directions to executives.

1.63 The Chief Executive states at *paragraph 21* that it is impossible for executives to make notes of every conversation or aspects of their work in detail. The Audit is not suggesting that executives should make notes of all parts of all conversations and all aspects of their work should be recorded in detail. A common sense approach is required. As indicated, it would be expected that records of important information provided to Ministers would be retained and any resulting directions provided by Ministers recorded. Furthermore, it would be expected that formal records would be made of key decisions taken by executives, together with issues considered by them in taking such decisions. This is sensible management practice and a pre-requisite for effective accountability.

1.64 The Chief Executive also states in *paragraph 21* that advice provided by executives to the Audit during the Audit which could not be validated by written evidence was given less weight in the Audit. This is generally correct. The practice adopted in this Audit is in accordance with the Australian Auditing Standards relevant to performance audits. The advice provided by executives was only given less weight by the Audit where it could not be validated by other means. The Audit sought validation by a number of means including direct evidence, external third

party confirmation as well as internal written evidence. No significant written advice was given ‘less weight’ without attempts being made to find supporting evidence.

1.65 The Chief Executive refers at *paragraphs 22 to 24* to the Audit’s finding that seven of the nine Cabinet submissions on the redevelopment project contained significant inaccuracies and/or were incomplete. The Chief Executive notes that Cabinet submissions are required to be of limited length and that as a necessity they summarise information which may subsequently be considered to be in error. He then states that the issue of whether such errors are material is frequently a matter of opinion. The Audit considers that correction of inaccuracies in the submissions referred to in the Audit would not have added to their length.

1.66 Each of the deficiencies in the submissions identified by the Audit at paragraphs 4.14 to 4.21 of this Report were material. Most would not have arisen as a result of any summarising process intended to limit the length of the submissions. In addition, there are established Cabinet practices set out in the Cabinet Handbook to provide additional information to Ministers where it is considered necessary. These procedures include providing attachments to submissions and seeking approval from the Cabinet Office for a more lengthy submission where it is considered warranted.

1.67 All of the matters raised by the Chief Executive were identified during the Audit and carefully considered. On receipt of the Chief Executive’s response they were reconsidered. The Audit conclusion is that the content of the Chief Executive’s response does not change the Audit’s opinion.

## 2 FRAMEWORK FOR DIRECTION

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### INTRODUCTION

2.1 This Chapter summarises the statutory framework for governing the Australian Capital Territory. It explains the responsibilities of the Cabinet, Ministers and others involved in the direction and control of the affairs of the Territory. It also explains the relationship between the Cabinet, Ministers, Chief Executives and executives and describes key accountability and guidance documents that personalises their statutory responsibilities.

2.2 The Chapter provides a contextual setting for the Audit's observations and findings on governance and management arrangements made in later Chapters of this Report. It should be noted that this Chapter contains only a summary of the Territory's direction and control framework. A number of aspects have been omitted in the interests of conciseness.

2.3 The Stadium redevelopment was managed and controlled within the Government's departmental structure. The framework which is outlined in this Chapter is the departmental framework under which the redevelopment project was undertaken.

2.4 Other structures such as statutory authorities and Territory owned corporations are also used as vehicles to implement government functions. These are not outlined in this Chapter as they not relevant to how the project was governed and managed. *Chapter 8*, however, provides some comments on alternative arrangements which might have been considered and may have provided a more effective means of managing the redevelopment.

### SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *The Cabinet has a collective responsibility for governing the Territory.*
- *Ministers have responsibility for major decision making within their portfolios and the overall performance of their departments.*

- *Chief Executives are responsible for the management and business of their departments, subject to overriding Ministerial responsibility and for providing advice to Ministers on important matters relating to their departments.*
- *The preparation of submissions for Ministerial signature occupies a central role in decision making processes of Cabinet.*
- *The preparation and clearance of submissions to the Cabinet is a most important responsibility of executives and Chief Executives respectively. In the end, however, it is the Minister who is accountable to the other members of the Cabinet for the content of his or her submissions.*

## CABINET RESPONSIBILITY

2.5 The *Australian Capital Territory (Self-Government) Act 1988* is effectively the constitution of the Australian Capital Territory. Section 36 of the Act establishes the Australian Capital Territory Executive. Section 39 of the Act states that the members of the Executive are the Chief Minister and other Ministers appointed by the Chief Minister. Section 37 states that the Executive has the responsibility of governing the Territory, executing and maintaining enactments and subordinate laws and exercising such other powers as are vested in it by laws in force in the Territory or agreements between the Territory and the Commonwealth, a State or another Territory.

2.6 The term ‘Executive’, however, is not generally used. As in other Australian jurisdictions, the term ‘Cabinet’ is used. That is, the committee of Ministers that governs the Territory is known as the ‘Cabinet’, although it is legally the ‘Executive’. In addition, the office that manages the business of the Executive is known as the ‘Cabinet Office’ and submissions to the Executive and its decisions are known as ‘Cabinet submissions’ and ‘Cabinet decisions’ respectively. Accordingly, the term ‘Cabinet’ has been used throughout this Report to refer to the body that is responsible for governing the Territory.

### *Audit Comments*

2.7 Those parts of the *Australian Capital Territory (Self-Government) Act* referred to make it clear that the Cabinet, which consists of the Chief Minister and other Ministers, is collectively responsible for governing the Territory.

## **CABINET DECISION MAKING**

### **Main Formal Source of Information**

2.8 The Cabinet determines its decisions through a Cabinet system of decision making. That is, through a system of regular meetings of all Ministers, chaired by the Chief Minister.

2.9 Sponsoring Ministers bring proposals before the Cabinet in respect of particular matters on which decisions are desired. The main source of information used to inform the Cabinet in respect of each proposal is usually the Minister's formal submission on the subject. Submissions support the proposals and recommendations of the responsible Minister. In doing so, they reflect the main considerations and arguments relevant to the Cabinet's consideration of the Minister's proposals.

2.10 Ministers are responsible for their own proposals, although the detailed development, drafting and checking of the related submissions may be undertaken by executives and/or senior officers on their behalf. Executives of interested agencies are usually consulted in the development of submissions.

2.11 Submissions are normally cleared by the Chief Executive of the relevant department before being given to the responsible Minister for approval and signature. Once signed, submissions are lodged with the Cabinet Office for distribution to members of the Cabinet. Consideration of a submission usually occurs at the meeting of the Cabinet immediately following its lodgment.

### **Importance of Submissions**

2.12 The preparation and clearing of submissions occupies a central role in the decision making processes of the Cabinet. Submissions are the formal vehicles whereby relevant factors and options are brought together in a balanced manner for consideration by the Cabinet. As such, submissions should contain reliable and complete information together with sound and balanced advice to assist the Cabinet to make fully informed decisions.

2.13 The clearing of submissions for Ministerial signature is a most important responsibility of Chief Executives. Before a Minister signs a submission for consideration by the Cabinet, he or she is entitled to receive a considered assurance from his or her Chief Executive that it is accurate and complete in all material respects. A Minister should reasonably expect to be assured that the submission's content is accurate, that it is complete and that advice contained in it is sound before he or she signs it.

2.14 Similarly, the drafting of submissions is a most important responsibility of government executives. Executives preparing submissions, should not merely rely on the work of subordinates or consultants who may be charged with preparing early drafts of submissions. Executives should assure themselves that subordinate drafters have taken considered action to ensure that the submission meets the requirements mentioned previously.

2.15 In the end, it is the Minister who is accountable to the other members of the Cabinet for the content of his or her submissions.

### **Preparation of Submissions**

2.16 Administrative guidelines have been adopted with the intention of ensuring that submissions to the Cabinet are soundly based and that all relevant factors are taken into account in their development. These procedures provide for the Chief Minister's Department, the Department of Treasury and Infrastructure and Department of Justice and Community Safety to be consulted in the preparation of all submissions to the Cabinet. Other agencies are to be consulted where submissions have an impact on their areas of responsibility.

2.17 These guidelines have been formalised in an ACT Government Cabinet Handbook which is circulated to all Ministers, their staffs, departmental Chief Executives and senior departmental officers. The Cabinet Handbook is revised from time to time.

### **Communicating Cabinet Decisions**

2.18 Once the Cabinet has made a decision on a submission, the Cabinet Office prepares a record of that decision which is circulated to all Ministers and agencies which are specifically required to take action on

the decision or otherwise have a ‘need to know’ of it.

2.19 Generally decisions of the Cabinet are written in such a manner that the Cabinet is recorded as either ‘agreeing’ or ‘noting’ a particular matter. The term ‘agree’ is normally used where subsequent action is required of a Minister or the Minister’s department. The term ‘note’ is normally used where action has been or is being taken by others and the Cabinet does not wish to intervene in the matter. The term ‘note’ is also used in cases where the Cabinet wishes to record that it has observed a particular situation, conclusion or requirement.

2.20 Decisions of the Cabinet are often brief. As a result, the submissions on which decisions are based may need to be consulted in order to fully understand the context in which they were made.

2.21 The Cabinet Handbook provides guidance on the manner in which submissions should be prepared to ensure that they are soundly based, that all factors have been taken into account and that all interested agencies have been consulted in their development.

## **MINISTERIAL RESPONSIBILITY**

2.22 Section 43 of the *Australian Capital Territory (Self-Government) Act 1988* states that Ministers shall administer such matters relating to the powers of the Executive as are allocated to them by the Chief Minister.

2.23 Section 29 of the Public Sector Management Act, 1994 provides for each Chief Executive to be responsible, under the relevant Minister, for the administration and business of the department under their control. Section 28B of the Act specifies the effect of Chief Executives’ employment contracts on the responsibilities of Ministers. That section states that nothing in a Chief Executive’s contract shall be taken to derogate, in any way, from the responsibility of relevant Ministers for the policies developed or applied by the administrative unit or the performance of the administrative unit.

2.24 Section 31 of the *Financial Management Act 1996* sets out the financial management responsibilities of Chief Executives of departments. At section 31(2) of the Act, a role for Ministers in this process is identified. That section states that Chief Executives of departments are responsible, under the responsible Minister, for ensuring, amongst other things, that the moneys spent by the department are within

the appropriations made for the department and that adequate control is maintained over the incurring of liabilities by the department.

2.25 A Code of Conduct for Ministers was approved by the Government in April 1995. The code states, in part, that ‘Ministers will have broad responsibility for the operations and performance of their Departments and Agencies. They will exercise leadership in their ministerial portfolios by:

- setting broad policies and priorities;
- setting and endorsing basic directions;
- outlining the major requirements of budget programs;
- setting key performance targets;
- taking the key strategic decisions; and
- ensuring a continuing assessment of performance by their departments and agencies’.

2.26 Ministers are responsible for ensuring that appropriate action is taken on decisions of the Cabinet. Action may also be initiated by an agency head on the Minister’s behalf and, or by the Chief Executive of the Chief Minister’s Department on the Chief Minister’s behalf.

### *Audit Comments*

2.27 Those parts of the Australian Capital Territory (Self-Government) Act, Public Sector Management Act, the Financial Management Act and the Code of Conduct referred to make it clear that Ministers are responsible for directing and assessing the business of their departments. Taken together these provisions make clear that Ministers have an overall responsibility for the performance of their departments.

2.28 It is recognised that Ministers, as a practical matter, cannot direct and be responsible for all actions taken within their Departments. This is recognised in the terminology of the Ministerial Code of Conduct. The terms used indicate that a Ministers direction and control is expected to be at a relatively high level and focussed on the key issues involving the

Department<sup>4</sup>.

## CHIEF EXECUTIVE RESPONSIBILITIES

2.29 Sections 13 of the Public Sector Management Act, 1994 provides for the Chief Minister to create offices of Chief Executives to control departments and administrative units. Chief Executives are employed on fixed term employment contracts under section 28 of the Public Sector Management Act.

2.30 As indicated previously, section 29 of the Act provides for each Chief Executive to be responsible, under the relevant Minister, for the administration and business of the department under their control. Section 29 of the Act also provides that each Chief Executive shall advise the relevant Minister on all matters relating to the department under their control. Section 9 of the Act provides that a Chief Executive shall, in performing his or her duties, inter alia, exercise reasonable care and skill, act impartially, act with probity and comply with the Act, the management standards and all other laws of the Territory.

2.31 Also as indicated previously, section 31 of the *Financial Management Act 1996* sets out the financial management responsibilities of Chief Executives of departments. Sub-section (1) states that the responsible Chief Executive of a department shall be accountable to the responsible Minister of the department for the efficient and effective financial management of the department.

2.32 In addition to these official line responsibilities, successive Chief Executives of the Chief Minister's Department have had a role of a type of unofficial head of the Public Service.

### *Audit Comments*

2.33 Chief Executives are responsible for the administration and business of their departments subject to the overriding responsibility of Ministers for these matters. The Chief Executive's responsibility, however, does not reduce Ministers' responsibilities for the overall

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<sup>4</sup> A useful reference on the subject of individual Ministerial responsibility in the Commonwealth arena is discussed in the publication 'House of Representatives Practice', Australian Government Publishing Service, Canberra 1999.

performance of their departments. Chief Executives also have a responsibility for providing strategic advice to Ministers on all issues arising within their departments. In performing their duties, Chief Executives are required to exercise reasonable care and skill, act impartially and act with probity.

## **FORMAL RELATIONSHIPS BETWEEN MINISTERS AND CHIEF EXECUTIVES**

2.34 The Code of Conduct for Ministers referred to previously states that ‘Ministers will establish with their senior Departmental and Agency managers, a mutual understanding of their respective roles and relationships, agree on priorities, directions, targets and expected levels of performance and evaluation of performance’.

2.35 All Chief Executives sign three formal agreements with Ministers that reflect their detailed responsibilities within any given time period. These agreements are individual performance agreements that are signed with the responsible Minister, purchase agreements that are also signed with the responsible Minister and ownership agreements that are signed with the Treasurer. Each of these agreements is discussed in the following paragraphs.

2.36 Performance agreements underpin the accountability and responsibility process. The agreements set out the major requirements of the Government and present an agreed statement of each Chief Executive’s targeted objectives and goals. Both Purchase and Ownership agreements are summarised in Chief Executives’ performance agreements. As indicated previously, Chief Executives enter into employment contracts under section 28 of the Public Sector Management Act with the relevant Minister. Each of those contracts specifies that a Chief Executive will comply with a performance agreement that is attached to the contract.

2.37 Performance agreements set down individual performance targets for specific areas of responsibility of the department. Individual employment contracts for Chief Executives provide that where a Chief Executive fails to comply with his or her performance agreement, their contracts may be terminated or suspended.

2.38 Purchase agreements are contracts between Chief Executives and the Minister specifying the substance of the outputs sought in greater

detail than in budget documentation. The agreements set out details of departmental outputs to be provided on behalf of the Minister, consistent with the output appropriations incorporated in the pertinent budget. Depending on the Administrative Arrangements in place from time to time, a Chief Executive may have purchase agreements with more than one Minister.

2.39 Ministers are responsible for the contents of relevant purchase agreements and as such have an overall high level responsibility to ensure the outputs are delivered. Chief Executives have overall responsibility for the delivery of the outputs in their purchase agreements in accordance with agreed performance targets and timeframes. As appropriate, Chief Executives are also responsible for implementing the related decisions of the Cabinet or the relevant Minister.

2.40 Ownership agreements signed by the Treasurer and each Chief Executive, establish the Government's ownership interest in particular agencies. They set out guidelines and performance requirements intended to ensure that the Government receives the best possible return from the resources employed by the agency through the efficient and business like management of those resources and the prudent management of the Territory's exposure to financial risk.

2.41 Ownership agreements reflect the objectives and plans, within the context of existing Government policy, of each agency's owner (i.e. the Territory) and its management over the term of the agreement. Ownership agreements complement business and management plans which may be produced by individual agencies.

### ***Audit Comments***

2.42 On a formal level, performance agreements between Chief Executives and the responsible Minister are personal accountability documents. Where Chief Executives fail to comply with their performance agreement, their contracts may be terminated or suspended. Purchase agreements and ownership agreements are broader departmental level documents that set out agency level responsibilities and obligations.

## **COMMUNICATIONS BETWEEN MINISTERS AND EXECUTIVES**

2.43 In order to fulfil their respective responsibilities, Ministers and

Chief Executives communicate with each other on a very frequent basis. Communications are both formal and informal.

2.44 Formal communications are usually from a Chief Executive or other executive to a Minister or Ministers. Usually formal communications from executives are submitted to Chief Executives before they are submitted to Ministers. Chief Executives review and have modifications made to documents where they consider it necessary before they are forwarded to Ministers. When Chief Executives are satisfied with a document they usually sign or initial it before it is forwarded to a Minister. This gives a signal to the Minister that the submission has Chief Executive level support. The Chief Executive may also have added his or her comments to the submission.

2.45 Formal communications are usually in the form of briefs or submissions. They may be provided to Ministers on an as required basis or on a regular basis.

2.46 Briefs are usually prepared for the purpose of providing information to Ministers. They would normally include background and current information on a particular issue. They may also include ‘talking points’ where the brief is submitted to a Minister for subsequent discussions with third parties. Briefs are not usually used as a vehicle for obtaining Ministerial guidance on a particular matter.

2.47 Submissions may be prepared where Ministerial direction or other guidance is required. Submissions usually outline an issue or issues, canvas options and/or arguments and recommend a course of action. The Minister who receives the submission would usually indicate his or her reaction to the recommendation or recommendations contained in a submission by annotating the submission accordingly.

2.48 Formal communication is often supplemented by discussions. In these situations Chief Executives and executives meet with Ministers to informally discuss possible approaches to a situation. Once the issue and options have been discussed, the executives may prepare a formal submission on the matter for Ministerial decision.

2.49 The Audit understands that it is not usual for Ministers to formally prepare documented directions for Chief Executives or other executives. Where a Minister wishes to give a direction or other guidance to an executive, the Minister, or a member of his or her staff, may raise it orally

with the executive. It would then be the Chief Executive or executive who formalises that direction by making a record of it. Such a record could be in the form of a hand written note in a work book, a note for file or a direction to an official or officials. It would also be the executive who distributes the direction or guidance to others. There are no set requirements for the recording of directions provided by Ministers.

2.50 Informal discussions take place between Ministers and executives on a frequent basis. These discussions may include regular oral ‘hot issues’ briefings and ad hoc meetings to discuss issues of mutual concern. Such discussions may be supported by ‘briefs’ or ‘speaking notes’ prepared by departmental officers for use by the Chief Executive or executive conducting the briefing or discussion. Where Ministers issue directions as a result of such informal discussions, if the directions are to be formalised, it would be the executive who formalises the direction.

### ***Audit Comments***

2.51 Formal records of communications between Ministers and Chief Executives and other executives are important as an indication of information provided to Ministers and of any directions which a Minister may choose to give. As well as written briefings and submissions the records could include ‘notes for file’ and similar documents.

## **CONCLUSION**

2.52 The statutory provisions for governing the Territory and the responsibility for making related decisions are clear. The Cabinet, which is chaired by the Chief Minister and includes other Ministers, has a collective responsibility for governing the Territory.

2.53 Major decisions of the Cabinet are normally made following consideration of a formal submission by one or more Ministers. A Minister’s submission to the Cabinet reflects his or her position on the matter under consideration. The preparation and clearing of those submissions for Ministerial signature is a most important responsibility of Chief Executives and other executives.

2.54 There is a clear line of formal responsibility from the Cabinet through individual Ministers, including the Chief Minister, to Chief Executives and thence to responsible executives. Ministers have responsibility for all aspects of strategic decision making and broad

responsibility for the performance of their departments.

2.55 Chief Executives are legislatively responsible for the administration and business of their departments, subject to an overriding responsibility of Ministers, and for providing strategic advice to Ministers on all issues arising within their departments. Other executives are responsible to the relevant Chief Executive for the achievement of assigned outputs. In discharging their responsibilities, Chief Executives and other executives are required to exercise reasonable care and skill, act impartially and act with probity.

2.56 All Chief Executives sign performance, purchase and ownership agreements with Ministers. They reflect their detailed responsibilities within any given time period. Performance agreements are personal accountability documents. Where Chief Executives fail to comply with their performance agreement, their contracts may be terminated or suspended. Purchase agreements and ownership agreements are broader departmental level documents that set out agency level responsibilities and obligations.

2.57 Formal records of communications between Ministers and executives are important to ensure executives have a clear statement of their understanding of directions provided to them by Ministers. They are also important for summarising the information which has been provided by executives to Ministers.

### **3 DIRECTION AND CONTROL OF THE REDEVELOPMENT PROJECT**

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#### **INTRODUCTION**

3.1 This Chapter comments on overall responsibility for making decisions on the redevelopment project and related matters. In particular it addresses:

- Cabinet responsibility for the project;
- specific Ministerial oversight of the project;
- Chief Executive responsibilities;
- executive level responsibility; and
- communication between the responsible Minister, Chief Executives and executives.

#### **SIGNIFICANT FINDINGS FROM THIS CHAPTER**

- *The Executives' involvement in the setting of the strategic direction for the project is evidenced by the fact that it made decisions on nine submissions on the redevelopment from September 1996 to March 1999.*
- *The Chief Minister had Ministerial responsibility for almost all aspects of redeveloping the Stadium.*
- *Four Chief Executives had legislative responsibility at different times for the project.*
- *It seems that no Chief Executive exercised Chief Executive responsibility for the project during the critical period leading up to the decision in September 1996 by the Cabinet to redevelop the Stadium.*
- *From the end of March 1998, it appears that the redevelopment project was progressed essentially without significant Chief Executive involvement.*
- *No arrangements were put in place to identify, analyse, prepare for and treat risks that could arise during the redevelopment.*

- *Only a small number of Ministerial directions, or submissions, briefs or notes on the redevelopment prepared for Ministers were located on departmental files.*
- *The Audit did not identify that any directions were given to executives by the Chief Minister.*

## **CABINET DECISIONS**

3.2 The Cabinet considered nine submissions specifically on the redevelopment of the Stadium and Olympic soccer over the period September 1996 to March 1999. Mrs Kate Carnell signed eight of those submissions in her role as either Chief Minister, Treasurer or Minister for Business and Employment. Mr Bill Stefaniak signed the remaining submission in his role as Minister for Sport and Recreation.

3.3 Each submission concluded with a number of recommendations to ‘agree’ and/or ‘note’ particular matters. The Cabinet endorsed all of the recommendations in the eight submissions made by Mrs Carnell. In respect of the submission made by Mr Stefaniak on the selection of the project manager, the Cabinet decided to ‘note’ rather than ‘agree’ to his recommendations.

### ***Audit Comment***

3.4 The Cabinet’s acceptance of its overall involvement in decision making for the project is evidenced by the fact that the Cabinet considered and made decisions on nine submissions specifically on aspects of the project over the period August 1996 to March 1999.

## **SPECIFIC MINISTERIAL RESPONSIBILITY FOR THE REDEVELOPMENT**

3.5 Mrs Carnell, in her roles as Chief Minister, Treasurer and Minister for Business and Employment, had responsibility throughout the entire period of the project. All expenditure on the redevelopment was made from appropriations to departments or parts of departments that were the responsibility of Mrs Carnell.

3.6 Mr Stefaniak, as the Minister for Sport and Recreation, was involved in aspects of the project until 24 March 1997. Mrs Carnell had sole responsibility for the redevelopment from that date following the

transfer of formal responsibility for the redevelopment and Olympics from the Minister for Sport and Recreation to the Minister for Business and Employment.

*Audit Comment*

3.7 It is clear that the Chief Minister had Ministerial responsibility for the redevelopment project.

**CHIEF EXECUTIVE RESPONSIBILITY FOR THE REDEVELOPMENT**

3.8 Four Chief Executives had over time, legislative responsibility for the project to redevelop and operate the Stadium. They were:

- Mark Baker, Chief Executive, Department of Business, the Arts, Sport and Tourism until he resigned on 27 September 1996;
- Annabelle Pegrum, Chief Executive, Department of Business, the Arts, Sport and Tourism from 26 September 1996 until her Department was abolished in 31 March 1998;
- Alan Thompson, Chief Executive, Chief Minister’s Department from 10 June 1998 until he transferred to the Department of Urban Services on 29 March 1999; and
- Rod Gilmour, Chief Executive, Chief Minister’s Department from 29 March 1999 until the project was finalised.

3.9 In addition, Mick Lilley and Linda Webb acted as joint Chief Executives of the Chief Minister’s Department from 29 March to 9 June 1998 in the period after Mr Walker resigned as Chief Executive and before Mr Thompson was appointed to the position.

*Audit Comment*

3.10 It is clear that Mark Baker had legislative responsibility for the project in the important period leading up to the Cabinet’s consideration of the submission ‘*Canberra – An Olympic City*’ on 23 September 1996. However, it is not clear that he exercised actual responsibility in the period. The submission was arguably the most important submission on the redevelopment as it led to the Cabinet’s agreement to commit to redevelop the Stadium.

3.11 Mark Baker was then Chief Executive of the Department of Business, the Arts, Sport and Tourism (BASAT). He has advised the Audit that he had no role in the redevelopment. In a letter dated 7 February 2000, Mr Baker advised the Audit that he attended a meeting in June 1996 with the Chief Minister and the then Chief Executive of the Chief Minister's Department (CMD), Mr Walker at which the project was first raised with him.

3.12 Mr Baker advised the Audit that at that meeting he expressed concerns about the viability of the project. Mr Baker advised that shortly after the meeting he was advised that the redevelopment and bid were deemed to be a 'special project' and that it was to be overseen by the Chief Minister's Department although BASAT resources would be used. Mr Baker stated he does not recall who communicated the decision to him. He advised the Audit that as a result of that decision he had no personal role in the project. Mr Baker resigned from the ACT Public Service on 27 September 1996.

3.13 The Audit has sighted no documentary evidence to confirm Mr Baker's statement that the redevelopment was deemed to be a 'special project' and/or that it would be oversighted by CMD using BASAT resources. The Audit has also sighted no documentation indicating Mr Baker being involved in the redevelopment project.

3.14 There is some evidence that the CMD had an involvement in the redevelopment project during this period. This evidence consists of:

- regularly in 1996 both the Chief Minister and the then Chief Executive of CMD were in direct contact with BASAT staff about Olympic football;
- by July 1996, correspondence between BASAT staff, the Chief Minister and the then Chief Executive of CMD was usually not being circulated to the Minister for Sport or the Chief Executive of BASAT;
- BASAT staff prepared the draft of the submission *Canberra – An Olympic City* to the Cabinet on the proposal to bid to host Olympic football and if successful redevelop the Stadium and passed it to CMD for finalisation and clearance at Chief Executive level;
- the Chief Executive of CMD sought the Chief Minister's approval for late lodgment of the submission prior to its consideration by the Cabinet; and

- Mrs Carnell in her role as the Chief Minister presented the submission to the Cabinet.

3.15 Although the then Chief Executive of CMD had some involvement in the project it does not, however, seem that he had the level of responsibility for the project which a Chief Executive would normally have if the redevelopment project was a direct responsibility of his or her department. The then Chief Executive of the CMD<sup>5</sup> has advised the Audit that he had no responsibility for the redevelopment.

3.16 The Audit is satisfied that Mr Baker took no part in the decision making or management for the redevelopment. On this basis, it seems that no Chief Executive exercised Chief Executive level responsibility for the project during the period leading up to the major decision being made by the Cabinet to redevelop the Stadium.

3.17 After the Cabinet took the decision to redevelop the Stadium, the project became the responsibility of the Department of Business, Arts, Sport and Tourism (BASAT). Ms Annabelle Pegrum was appointed to the position of Acting Chief Executive of BASAT on 26 September 1996 and Chief Executive on 29 October 1996. She remained in that position until the Department was abolished on 31 March 1998.

3.18 During that period the redevelopment was a BASAT project and accordingly Ms Pegrum had Chief Executive legislative responsibility for the project. This was reflected in her purchase agreement with Mrs Carnell as Minister for Business and Employment. Throughout the period, Ms Pegrum had separate purchase agreements with three other Ministers. Ms Pegrum had a close involvement with the project during her period as Chief Executive.

3.19 After the abolition of BASAT, responsibility for the project was transferred to the Chief Minister's Department. During the period 29 March to 9 June 1998 the position of Chief Executive was vacant. Mr Alan Thompson was appointed Chief Executive of the Chief Minister's Department on 10 June 1998. He relinquished that appointment on 29 March 1999 on transfer to the Department of Urban Services. Mr Thompson had legislative responsibility for the project during his period as Chief Executive of CMD.

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<sup>5</sup> John Walker, 27 April 2000

3.20 Mr Thompson advised the Audit that he had little involvement with the project in the first six months while he was settling in as Chief Executive. Subsequently, his involvement in the project increased slightly, particularly with regard to the decision to rescind the decision to install 15,000 semi-permanent seats at the Stadium for the Olympic football tournament and marketing arrangements. Mr Thompson's involvement, although he held legislative responsibility, was not significant.

3.21 Mr Gilmour transferred to the Chief Minister's Department as its Chief Executive on 29 March 1999. Mr Gilmour, although having legislative responsibility for the project similarly to Mr Thompson, did not take a direct involvement in the project.

3.22 It appears that from the end of March 1998, when the Department of Business, the Arts, Sport and Tourism was abolished, the project was progressed essentially without any significant Chief Executive involvement. If a Chief Executive had been more involved in the redevelopment project during this time, it is possible that at least some of the difficulties identified by the Audit may have been better addressed.

3.23 From the end of March 1998 onwards, Ms Ford and Mr Lilley appear to have had overall responsibility for the project. Both executives represented the Territory on the Project Control Group<sup>6</sup>. In this role they made all decisions in relation to construction matters. Both executives also made decisions on operational matters including marketing and hiring arrangements. In addition Mr Lilley had overall responsibility for the redevelopment's financing arrangements.

## COMMUNICATIONS

3.24 The Audit was advised<sup>7</sup> the Chief Minister was kept informed of developments on the project by Chief Executives and other executives on a frequent basis.

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<sup>6</sup> The responsibility and membership of the PCG is discussed at *Chapter 5*

<sup>7</sup> Annabelle Pegrum, 14 January and 31 March 2000, Alan Thompson, 13 January 2000, Moya Ford 14 January 2000 and Mick Lilley, 16 February 2000.

*Audit Comments*

3.25 The Audit was provided with or located only a limited number of Ministerial submissions, briefs and notes on departmental files. No formal system seems to have existed in either BASAT or CMD to record and track the submission of briefs and/or Ministerial submissions and to monitor follow-up action required by the Chief Minister.

3.26 In a number of important matters, no record exists to record why actions were taken by executives and whether those actions were taken in accordance with Ministerial directions. Examples of the absence of records supporting key decisions are noted in most of the Audit Reports on the redevelopment.

3.27 The Audit was advised<sup>8</sup> that weekly meetings were held with the Chief Minister at which the redevelopment was regularly discussed. Ms Pegrum advised the Audit that ‘hot issues dot point briefs’ were prepared for those meetings. Ms Pegrum’s advice was that at those meetings the Chief Minister would provide directions on aspects of the project. Ms Pegrum also advised that it was the practice for a ‘weekly strategic issues brief’ to be prepared for the Chief Minister by her Department.

3.28 No formal record of the weekly meetings or the briefing papers prepared by executives or officers in CMD or BASAT seem to have been retained. The Audit has not located any copies of the ‘hot issues dot point briefs’ or the ‘weekly strategic issues brief’(s).

3.29 In addition, Ms Pegrum advised the Audit that she did not keep formal minutes of the outcomes of the weekly Ministerial briefings. Ms Pegrum did, however, keep brief and informal hand written notes of some follow up action she was required to take as a result of those meetings.

3.30 In the absence of documentary evidence, the Audit was unable to confirm the content of information provided to the Chief Minister. Neither was the Audit able to confirm that Mrs Carnell was regularly briefed on developments associated with the project. The Audit was unable to determine if the Chief Minister provided directions to Chief Executives and/or executives.

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<sup>8</sup> Annabelle Pegrum, 31 March 2000 and Moiya Ford, 14 January 2000.

## RISK MANAGEMENT

3.31 No formal consideration appears to have been given to the risks which could arise through implementation of the redevelopment. In addition, no arrangements were put in place to identify, analyse, prepare for and treat risks that could arise during the project. As explained in various Audit reports on the redevelopment there were considerable risks involved in the redevelopment.

### *Audit Comments*

3.32 The identification and assessment of risk is an important element of effective project governance. It is also an important operational consideration. Key risks associated with the redevelopment included its construction, the cost of the construction, the financing, the negotiations with the hirers, marketing of products new to the Canberra market, etc.

3.33 During the redevelopment project most of the potential major risks materialised. The finances did not become available as planned. The Territory spent much more on the project than it intended. The demand for important Stadium products fell considerably short of planned targets and negotiations on the hiring agreements did not proceed as intended.

3.34 The risks being accepted should have been evident at least from when the project manager was selected (see *Report 5 – Selection of the Project Manager*). The risks needed to be managed as both a governance issue and also as an operational issue. This would have meant the establishment of a process of identifying, analysing, preparing for and treating risks. The identification of all material risks and the quantification of the likelihood of them materialising would also have provided an opportunity to consider whether individual risks were worth taking. Risk management also includes putting appropriate control structures in place to assess emerging risks and the preparation of a sound risk management plan.

3.35 The development and endorsement of a comprehensive risk management strategy would have been expected to be an essential step in overall governance and management arrangements for the project. The absence of such a strategy meant that some risks materialised without any prior remedial action being contemplated and other risks were managed in an unplanned and possibly costly manner.

## CONCLUSION

3.36 The Cabinet's acceptance of its overall involvement in decision making for the project is evidenced by the fact that the Cabinet considered and made decisions on nine submissions specifically on aspects of the project over the period August 1996 to March 1999.

3.37 The Chief Minister had Ministerial responsibility for almost all aspects of the redevelopment of the Stadium and the bid to host Olympic soccer.

3.38 Four Chief Executives had legislative responsibility for the project, i.e. Mark Baker, Annabelle Pegrum (BASAT), Alan Thompson (CMD) and Rod Gilmour (CMD).

3.39 It seems that, although Mr Baker has legislative responsibility, no Chief Executive exercised Chief Executive responsibility for the project during the critical period leading up to the decision by the Cabinet to redevelop the Stadium and bid to host Olympic football.

3.40 Ms Pegrum had Chief Executive legislative responsibility for the project from the time she was appointed as Chief Executive of BASAT until the Department was abolished in March 1998. During this time, Ms Pegrum was closely involved in the project.

3.41 Although Mr Thompson commenced as Chief Executive of the Chief Minister's Department in June 1998, he had little apparent involvement in the project. Mr Gilmour commenced as Chief Executive of the Chief Minister's Department in March 1999, however, his involvement was also minimal. If a Chief Executive had been more involved in the redevelopment project during this time, it is possible that at least some of the difficulties identified by the Audit may have been better addressed. From the end of March 1998, Ms Ford and Mr Lilley appear to have had overall responsibility for the project.

3.42 No formal consideration appears to have been given to the risks which confronted the project. No formal arrangements were put in place to identify, analyse, prepare for and treat risks that could arise during the project.

3.43 In summary, while the Cabinet set the strategic direction for the Project and the Chief Minister had Ministerial carriage of it, there appears

to have been no Chief Executive level direction of the project during crucial periods. There was no formal consideration of the risks confronting the project. The Audit has been unable to confirm the nature, adequacy and extent of advice submitted to the Chief Minister or of directions which the Chief Minister may have given to executives on aspects of the project.

## 4 SUBMISSIONS TO THE CABINET

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### INTRODUCTION

4.1 This Chapter comments on the submissions provided to the Cabinet to support its decision making processes in respect of the redevelopment of the Stadium. In particular the Chapter comments on:

- the quality of submissions to the Cabinet;
- the extent of consultation with agencies in the preparation of submissions;
- consultation with affected agencies; and
- the Cabinet’s seven day rule for consideration of submissions.

### SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Seven of the nine submissions to the Cabinet were inaccurate and/or incomplete.*
- *Limited consultation in the preparation of submissions and the short notice that the Cabinet was given to consider submissions may have had an adverse effect on the quality of the decision making processes.*

### QUALITY OF SUBMISSIONS TO THE CABINET

4.2 The Cabinet considered nine submissions specifically on the redevelopment of the Stadium and Olympic soccer.

4.3 The relevant Minister signed all submissions for consideration by the Cabinet. *Table 4.1* provides the names of the Minister who signed each submission.

4.4 One or more officials normally draft submissions. After the relevant Chief Executive settles the content, the submissions are forwarded to the relevant Minister for approval and signature. The Audit has identified the names of the Chief Executives and drafting officers in all but one of the submissions. The names are also included in *Table 4.1*.

**Table 4.1 - Cabinet Submissions on the Redevelopment**

<b>Sub No.</b>	<b>Date</b>	<b>Submission Title</b>	<b>Minister</b>	<b>Executives Involved</b>
4733	20 Sep 96	Canberra – An Olympic City	Mrs Carnell	See <i>para</i> 4.5 to 4.10.
4905	6 Mar 97	Bruce Stadium Redevelopment – Recommended Tenderer	Mr Stefaniak	Ms Pegrum and Mr Owens
5091	25 Jul 97	Canberra – 2000 Olympic Football Tournament	Mrs Carnell	Ms Pegrum and Mr Owens
5105	8 Aug 97	Canberra – 2000 Olympic Football Tournament – Draft MOU	Mrs Carnell	Ms Pegrum and Ms Ford
5269	4 Dec 97	Bruce Stadium Redevelopment – Financing and Management Arrangements	Mrs Carnell	Ms Pegrum and Mr Lilley
5290	18 Dec 97	Bruce Stadium Redevelopment – Hiring Arrangements	Mrs Carnell	Ms Pegrum and Ms Ford
5306	8 Jan 98	Bruce Stadium Redevelopment – Financing Arrangements	Mrs Carnell	Mr Lilley
5789	16 Dec 98	Bruce Stadium – Financing	Mrs Carnell	Mr Thompson, Mr Lilley, Ms Ford and Mr Clark
5870	18 Mar 99	Bruce Stadium – Financing and Options for Ownership	Mrs Carnell	Mr Thompson and Mr Lilley

**Clearance of Submission ‘Canberra – an Olympic City’**

4.5 The Audit has been unable to establish the identity of the Chief Executive or other executive, who cleared the submission titled ‘*Canberra – An Olympic City*’, for signature by the Chief Minister.

4.6 This submission was a most important submission on the redevelopment project. Its purpose was to inform the Cabinet’s decision to bid for part of Olympic soccer and to guarantee to upgrade the Stadium if the bid was successful. The submission also advised the Cabinet that the total cost of the redevelopment was estimated to be \$27m and that the cost would be funded by \$12m in equity investment, \$8m in upfront revenue and \$7m in borrowings. It was on the basis of this submission that the Cabinet committed the Government to the redevelopment. (For more detail on this submission see *Report 4 – Decision to Redevelop the Stadium*).

4.7 The then General Manager of the Bureau of Sport Recreation and Racing<sup>9</sup>, prepared a draft of the submission and delivered it to the Cabinet Office on 20 September 1996. He did not submit the submission to the Chief Executive of BASAT for review and clearance, as would be the normal process for a matter which was the responsibility of BASAT, prior to lodging a submission with the Cabinet Office. The General Manager has advised the Audit that he is unaware who cleared the submission.

4.8 The General Manager stated that the draft he had prepared was subsequently amended to include an additional recommendation that the Government would guarantee that the Stadium would be upgraded to full specifications if the bid was successful. The General Manager also stated that further amendments were made to the draft to include the Under Treasurer's comments on the proposal and the scheduling of the appropriation for the Government's proposed \$12m contribution.

4.9 The Under Treasurer's comments about the proposal were included in a minute dated 20 September 1996. This minute was addressed to the then Chief Executive of CMD<sup>10</sup> who arranged for the OFM minute to be forwarded to the Chief Minister for her attention. Ultimately some, but not all, of OFM's comments were included in the final submission signed by the Chief Minister.

4.10 In a response received during the Audit, the then Chief Executive of CMD advised he denied that he was the clearing officer of the submission '*Canberra – An Olympic City*', insofar as the content of that submission was concerned.

## **REVIEW OF SUBMISSIONS**

4.11 As part of the Audit, all relevant submissions to the Cabinet were reviewed for their completeness and their factual consistency with available supporting evidence.

4.12 The review revealed that seven of the nine submissions were incomplete and/or not consistent with available evidence. In some cases, the presentation and consideration of options was not balanced. Where

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<sup>9</sup> Mark Owens

<sup>10</sup> John Walker

options were identified, they were not always feasible.

4.13 Specific reference to issues in individual submissions is made in other reports of the Audit. Comments on individual submissions are summarised in the following paragraphs.

4.14 *Canberra – An Olympic City* — This submission did not contain reliable and complete information to facilitate the Cabinet making a fully informed decision on whether to redevelop the Stadium. (See *Report 4 – Decision to redevelop the Stadium* and *Report 8 – Actual Costs and Cost Estimates*.)

4.15 *Bruce Stadium Redevelopment – Recommended Tenderer* — This submission contained inadequate information for informed decision making by the Cabinet. The submission did not present a balanced commentary on the selection process for the redevelopment’s project manager and contains inaccurate information. (See *Report 5 – Selection of the Project Manager* and *Report 8 – Actual Costs and Cost Estimates*.)

4.16 *Canberra – 2000 Olympic Football Tournament* – This submission significantly understated the expected costs of the redevelopment. (See *Report 8 – Actual Costs and Cost Estimates*.)

4.17 *Bruce Stadium Redevelopment – Financing and Management Arrangements* — This submission significantly understated the expected cost of the redevelopment. (See *Report 8 – Actual Costs and Cost Estimates*.)

4.18 *Bruce Stadium Redevelopment – Stadium Hiring Arrangements* – This submission incorrectly implied that the defined principles relating to the revenue assurance guarantees had been agreed to by the major hirers, and included inaccurate information regarding the testing of the Stadium financial model by IMG and Arthur Andersen. (See *Report 7 – Stadium Financial Model* and *Report 10 – Stadium Hiring Agreements*.)

4.19 *Bruce Stadium Redevelopment – Financing Arrangements* — This submission contained incomplete information in that it understated the expected costs of the redevelopment. (See *Report 8 – Actual Costs and Cost Estimates*.)

4.20 *Bruce Stadium – Financing* — This submission was inaccurate with regard to the cause, nature and extent of the increased costs of the redevelopment. It was incomplete in that it did not include the cost of furniture, fittings and equipment items. In presenting options to the Cabinet for consideration, the submission was not timely or realistic. (See *Report 8 — Actual Costs and Cost Estimates.*)

4.21 The submission incorrectly asserted that the assumptions behind the Stadium financial model were tested and supported by Arthur Andersen and IMG. A statement in the submission that Deutsche Bank had confirmed the integrity of the business plan and determined its capacity to support additional private sector financing had no factual basis. The submission also omitted to mention the adverse results of the first market research conducted in the Canberra region in relation to the Stadium's newly developed products. (See *Report 6 — Financing Arrangements.*)

### ***General Comment***

4.22 As stated the Audit carefully considered the contents of the various submissions and the Cabinet decisions resulting from those submissions. In all cases the decisions made were logically consistent with the content of the submissions.

4.23 The Audit is unaware whether the Cabinet members had other relevant information available to them. Consequently the Audit cannot draw a conclusion on whether the members were misguided by the inaccurate information in the submissions.

## **OTHER OBSERVATIONS**

### **Extent of Consultation with Agencies**

4.24 The Cabinet considered nine submissions specifically on the redevelopment over the period September 1996 to March 1999. Each submission contains a covering page which lists those Ministers, agencies or other bodies consulted in their preparation. Seven submissions indicated they were prepared without full consultation with departments or agencies. Five submissions indicated the reason for their limited circulation was their 'special nature'. Two submissions were prepared with full consultation with appropriate departments and agencies.

***Audit Comment***

4.25 The object of consultation in the development of proposals is to ensure that all relevant factors are taken into account. Consultation provides a formal opportunity for all Ministers and officials who have a professional and functional interest in a proposal to ensure that all relevant factors are taken into account.

**Seven Day Rule**

4.26 The version of the ACT Government Cabinet Handbook current during the relevant period provides for all submissions to be lodged with the Cabinet Office seven calendar days before consideration by the Cabinet. The Cabinet Handbook states that the ‘seven day rule may only be waived by the Chief Minister in exceptional circumstances’.

4.27 None of the nine submissions referred to in this Chapter complied with the seven day rule. Most submissions were lodged four days before the Cabinet considered them. The Chief Minister waived the seven day rule for the submission ‘*Canberra – An Olympic City*’. The minute seeking approval to waive the seven day rule noted that the submission had been developed with limited consultation and had not been circulated to interested departments and agencies in its development. The Audit has not been provided with documentation evidencing that the seven day rule had been formally waived in respect of any other submissions that were lodged after the due date.

***Audit Comment***

4.28 The seven day rule provides for Ministers to have sufficient time to evaluate submissions before they are considered by the Cabinet as a group. The seven day rule also provides an opportunity for a Minister’s personal and departmental staff to have sufficient time to assess the full implications of submissions and to prepare appropriate advice on them for their Minister.

**CONCLUSION**

4.29 The Cabinet had overall responsibility for making major decisions associated with the redevelopment of the Stadium. Nine submissions were submitted to the Cabinet to inform it in making decisions in this regard.

4.30 The contents of seven of the submissions on the redevelopment contained significant inaccuracies and/or were incomplete. In some, the presentation and consideration of options was not balanced. Where options were identified, they were not always feasible.

4.31 In summary, the Audit considers that the Cabinet was not well served by the quality of the submissions that were presented to it. The provision of accurate and compete information together with viable options may have had a significant impact on the Executives' decision making processes.

## 5 OPERATIONAL MANAGEMENT

### INTRODUCTION

5.1 This Chapter describes and comments on the arrangements put in place to provide operational management oversight of the redevelopment project from the appointment of the project manager to its completion. In particular it addresses:

- management responsibilities;
- project control; and
- business planning.

### SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Two executives<sup>11</sup> had direct responsibility for managing the redevelopment project.*
- *Those executives had a range of other unrelated duties and only applied a small proportion of their time to the redevelopment project.*
- *The limited time applied by those executives may have created difficulties, particularly in ensuring that important issues were given in-depth consideration and timely decisions were made.*
- *The responsible executives did not ensure they were supported by sufficient qualified and experienced officers.*
- *The Project Control Group had no formal charter, membership arrangements were unclear and no one was formally appointed as chairperson.*
- *No business plan was approved for the project. There was no formal and agreed analysis of the business environment and the way ahead.*

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<sup>11</sup> Mick Lilley and Moiya Ford

## MANAGEMENT OF THE PROJECT

### Chief Executive and Executive Level Responsibility

5.2 Once the Cabinet had decided to redevelop the Stadium, overall management of the project became the responsibility of Ms Annabelle Pegrum, the incoming Chief Executive of the Department of Business, the Arts, Sport and Tourism (BASAT). As the project was a BASAT project Ms Pegrum had legislative responsibility for the project. Responsibility for the project was also included in her purchase agreement with Mrs Carnell as Minister for Business and Employment. The Chief Executive had separate purchase agreements with three other Ministers.

5.3 During this time Ms Moiya Ford, the then General Manager Business and Strategic Projects in BASAT had specific responsibility for managing the project. Mr Mick Lilley, the Under Treasurer also became involved in the management of the project in a substantive way at the request of the Chief Minister during the second quarter of 1997.

5.4 After BASAT was abolished on 31 March 1998, responsibility for the redevelopment was transferred to the Chief Minister's Department. As such Mr Alan Thompson and Mr Rod Gilmour as successive Chief Executives of that Department had legislative responsibility for the management of the project. During this time Ms Ford, who was transferred to the Chief Minister's Department as the Executive Director, Office of Business, Development and Tourism and Mr Lilley continued to directly manage the redevelopment.

### *Audit Comment*

5.5 Annabelle Pegrum exercised Chief Executive responsibility for the project while she was Chief Executive of BASAT. There was, however, no significant Chief Executive involvement in the project both before and after that time.

5.6 The Audit found in *Chapter 3* that it appears that from the end of March 1998, when the Department of Business, the Arts, Sport and Tourism was abolished, the project was progressed essentially with very little Chief Executive involvement. Ms Ford and Mr Lilley appear to have exercised overall responsibility for the project.

## General Manager, Strategic Business Projects<sup>12</sup>

5.7 As indicated, Ms Ford was one of the two key senior executives who managed the implementation of the redevelopment. She was one of two executives on the Project Control Group (PCG) and chaired most of its meetings. Ms Ford was also the senior Territory executive responsible for Olympic football from July 1997.

5.8 At the same time as Ms Ford was responsible for the redevelopment and the Year 2000 Olympics, she was also responsible for other projects. These included a range of strategic projects, such as finalisation of the agreement with BRL Hardy for the establishment of a wine tourist facility in Canberra, the Kingston Foreshore redevelopment, the Heritage Council, the Cultural Council, the Interim Cultural Facilities Corporation and the Public Arts Program.

5.9 Ms Ford entered into two performance agreements over the period during which she was one of the two key senior executives who managed the implementation of the redevelopment of the Stadium. Both of these agreements clearly indicate Ms Ford's responsibility for the redevelopment. These are briefly discussed in the following paragraphs.

5.10 Ms Ford's performance agreement for the period 1 July 1997 to 30 June 1998 states that she was responsible for 'the development of key projects to promote the development of employment and business investment in the ACT and to market Canberra'. The associated performance measures stated that 'key projects approved by Government are completed according to timetable agreed by Government'. The associated list of projects included 'development of Bruce Stadium' and 'maximisation of opportunities presented by Year 2000 Olympics'.

5.11 Ms Ford's performance agreement for the period 1 July 1998 to 30 June 2002 stated that 'in accordance with prevailing Government policies and strategies' Ms Ford is to 'successfully undertake', inter alia, the following:

- complete the redevelopment of Bruce Stadium, negotiate long term hiring arrangements with relevant national teams and

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<sup>12</sup> When the Department of Business, the Arts, Sport and Tourism was abolished and responsibility for the project was transferred to the Chief Minister's Department, this position was also transferred and was redesignated as Executive Director, Office of Business, Development and Tourism.

negotiate long-term leasing of the Stadium from the Commonwealth Government or its permanent transfer to the ACT; and

- facilitate, promote and assist in the delivery of a range of major events to enhance the profile of Canberra and its economic base, including Olympic football in 2000.

### ***Audit Comment***

5.12 Ms Ford had responsibility for managing the redevelopment and the hosting of Olympic football. She managed these projects in addition to managing a range of other projects. This may have created difficulties particularly in ensuring that important issues were subjected to in-depth consideration and timely decisions were made. Advice was provided during the Audit<sup>13</sup> that Ms Ford spent about 10% of her time on the project. The Audit has found no documentary evidence that Ms Ford considered that her responsibilities may have been excessive and this could be creating difficulties.

### **Under Treasurer**

5.13 Mr Mick Lilley was the Under Treasurer and Executive Director of the Office of Financial Management in the Chief Minister's Department during the period of the redevelopment. Mr Lilley became directly involved in the redevelopment at the request of the Chief Minister. He was one of the two executives who directed the implementation of the project. He was one of two Government executives on the PCG.

5.14 Mr Lilley entered into two performance agreements over the period during which he was one of the two executives responsible for the implementation of the redevelopment of the Stadium. These are discussed in the following paragraphs.

5.15 Mr Lilley's performance agreement for the period 1 April 1996 to 31 March 2000 stated that he was to provide 'high level policy advice on financial, economic, revenue collection and monetary issues and provide sound high level financial management policy advice to the ACT Government, Chief Minister, Cabinet, Chief Executive and agency

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<sup>13</sup> Mick Lilley, 8 September 1999.

heads’.

5.16 Mr Lilley entered into a new performance agreement for the period 1 July 1998 to 30 June 2000. That agreement stated that ‘in accordance with prevailing Government policies and strategies’ he is to ‘ensure effective management of ACT Government financial assets and liabilities’.

5.17 Neither of the Under Treasurer’s performance agreements made specific mention of any responsibility for the redevelopment project.

5.18 To assist him in his role in negotiating hiring agreements with the football codes, Mr Lilley re-assigned an executive<sup>14</sup> from the Office of Financial Management (OFM) to assist him from the third quarter of 1998 onwards. This executive then continued to provide assistance to Mr Lilley on project related matters until the completion of the project.

5.19 The Audit has been advised<sup>15</sup> that Mr Lilley spent about 5% of his time on the project.

### ***Audit Comments***

5.20 Mr Lilley undertook the management of the redevelopment, along with Ms Ford, in addition to his existing range of duties. As with Ms Ford, this may have created difficulties in ensuring that important issues were given in-depth consideration and timely decisions were made.

## **PROJECT CONTROL GROUP**

5.21 The principal vehicle intended to facilitate the management of the redevelopment was the Project Control Group (PCG). Key aspects of the PCG were its functions, terms of reference, membership and arrangements for chairing meetings. PCG’s functions are discussed in the following paragraphs. The PCG’s procedures are described in *Chapter 7*.

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<sup>14</sup> Andrew Clark

<sup>15</sup> Mick Lilley, 8 September 1999.

## PCG Functions

5.22 A PCG is a typical management arrangement used in many large construction projects. It serves as a primary forum for liaison between the Principal, in this case the Government (represented by BASAT and subsequently CMD), and the contracted project manager for the redevelopment.

5.23 The establishment of a PCG generally allows for timely feedback to the Principal on progress and, where necessary, timely decision making regarding project variations. A PCG, however, does not replace the authority and accountability of the Principal, or the Principal's representatives, for significant decisions.

5.24 The PCG was established in June 1997. It met on 31 occasions. Its last meeting was held on 5 August 1999. Meetings tended to be held monthly and each meeting lasted about two hours.

5.25 At its first meeting, the PCG determined that its purpose was to provide a key decision making forum for the project. The minutes of the first meeting of the PCG indicated that it would provide direction to the project and was to be the vehicle for all policy, management and administration decisions.

5.26 This meant that the PCG was intended to provide direction on construction, financing, marketing and the other operational aspects of the project. From 15 February 1999 responsibility for marketing, Stadium management, business planning, finance structure and major hirers was formally transferred from the PCG to Bruce Operations Pty. Ltd. In practice from that time these matters were managed directly by Ms Ford and Mr Lilley, without the involvement of other PCG members.

5.27 Although the PCG assumed that it had responsibility for making all policy, management and administrative decisions, it largely only advanced construction issues.

5.28 The project management contract with the project manager required Graf Consulting to manage a number of operational and marketing issues, however, they had not been resolved by the time he left the PCG on 8 September 1998. At the last meeting of the PCG which Graf Consulting attended, he drew attention to a number of matters that he had not successfully resolved. These included hiring agreement

issues, financing, marketing and sales and venue management and operations. In addition the project manager's proposal for the establishment of a commercial operating structure had not been advanced. These matters were never satisfactorily resolved by the PCG and as indicated, in February 1999, the PCG ceased to consider these matters.

### ***Audit Comment***

5.29 As indicated previously, the PCG's role in the redevelopment was briefly noted in the minutes of its first meeting as having the role of making all policy, management and administrative decisions. The Audit has been unable to ascertain the basis for the PCG assuming that it could take authority for all policy, management, and administrative decisions in respect of the redevelopment project.

5.30 Ms Pegrum and Mr Lilley were present at the first PCG meeting. In the absence of any contradicting evidence it must be assumed that these two approved the PCG assuming the authority outlined in the preceding paragraphs.

### **Membership of the PCG**

5.31 The initial meeting of the PCG was attended by:

- Annabelle Pegrum, Chief Executive, BASAT;
- Mick Lilley, Under Treasurer, CMD;
- Rick Graf, Chairman, Graf Consulting Group International Pty Ltd;
- Chris Graham, Senior Director, CRI Project Management Pty Ltd;
- Malcolm Naylor, Project Manager, CRI Project Management Pty Ltd; and
- an ACT Public Service Officer.

5.32 Ms Moiya Ford, the General Manager Strategic Business Projects from BASAT joined the PCG from its second meeting. The General Manager, Totalcare Projects attended the PCG from its third meeting. The project's cost planners, WT Partnership formally joined the PCG as a member in October 1998. They had attended most meetings before this date as an observer.

5.33 The membership of the PCG was never formalised. Of the 31 meetings held, Ms Ford attended 27, Mr Lilley attended 25 and Ms Pegrum attended 7. Alternate delegates normally attended where the usual Government executives did not attend.

5.34 The project manager's representatives attended all meetings. A representative from the project quantity surveyors, WT Partnership, attended 26 meetings and a Totalcare representative attended 23 meetings.

#### ***Audit Comment***

5.35 The Audit is unable to draw a conclusion on whether the absence of a formalised membership of the PCG setting out the roles of each member created significant problems. The Audit is of the view, however, that formalising memberships would have represented much better management practice than the informal situation which existed throughout the redevelopment.

#### **Chairperson of the PCG**

5.36 At the initial meeting of the PCG, it was agreed that the chairmanship of the PCG would rotate. The project manager chaired the first meeting and the chairmanship of the PCG rotated for the first three meetings. Ms Ford, chaired most meetings after that time. No specific responsibilities were given to the chairperson.

#### ***Audit Comment***

5.37 In a Government project a chairperson's formal responsibilities could have included that he or she was responsible to a Chief Executive for the conduct and performance of the project. As such the chairperson would be responsible for:

- chairing meetings of the PCG;
- obtaining any necessary approvals from the Chief Executive;
- advising the project manager on approved changes to the project brief, budget or timetable;
- responding to proposals put to the PCG by the project manager; and

- ensuring sufficient staff and other resources were available to support the Chairperson in monitoring the project.

5.38 As with issues previously mentioned, the Audit is unable to draw a conclusion on whether not appointing a Chairperson of the PCG created significant problems. The Audit is of the view, however, that formalised chairing arrangements would have represented much better management practice than the informal situation which existed throughout the redevelopment.

5.39 The formalised arrangements, as outlined, would have meant that one executive was clearly identified as having been given the authority and responsibility by the Minister and/or Chief Executive, for the conduct and completion of the project. It would also have meant that one executive knew that they were accountable for the success or failure of the project.

### **Terms of Reference**

5.40 Terms of reference for the PCG were not set. The terms of reference for a PCG would normally be set by the Principal. The terms of reference complement agreements and contracts by providing an administrative framework for their effective implementation.

5.41 Typically terms of reference would formally:

- describe the role and responsibilities of the PCG as a whole;
- confirm, or if necessary, determine a line of accountability for the delivery of the project from consultants and contractors, through appropriate management arrangements (e.g. executives on the PCG) to the responsible Minister;
- confirm, or where necessary, determine the responsible decision making members of the PCG;
- nominate or provide for the nomination of the members of the PCG and clarify their roles and responsibilities;
- confirm, and if necessary, identify the chairperson of the PCG and detail his or her responsibilities; and
- establish, if necessary, other key task groups such as a user group.

### *Audit Comments*

5.42 As described in various Audit reports on the redevelopment, many aspects of the redevelopment were not managed adequately. The Audit is unable to draw a definite conclusion on whether the absence of terms of reference for the PCG allowed significant problems to go unresolved. The Audit, however, is of the view that it is likely that if clear and comprehensive terms of reference had been established, and complied with, at least some of the problems identified by the Audit would have been resolved more quickly and in a manner which was more favourable to the Territory than actually occurred.

## **PROJECT PLANNING**

5.43 A draft business plan was prepared by the project manager in May 1997. It was not further refined and was never used. A Stadium financial model was also prepared by the project manager. It was varied progressively. It is this document which has been publicly referred to as the ‘business plan’ by Ministers and executives throughout the redevelopment project. (see *Report 7 – Stadium Financial Model*).

### *Audit Comment*

5.44 The development and endorsement of a business plan would have been expected to be an essential step in the overall management of the project. The absence of a business plan meant that there was no formal and agreed analysis of the business environment, including a strategic assessment of the strengths, weaknesses, opportunities and threats facing the Stadium.

5.45 A business planning process could have analysed and developed interconnected marketing, financing, construction and operational strategies. A well considered, agreed and understood business plan would have facilitated consistency in decision making and management throughout the project.

5.46 Effectively there was no document or series of documents ever created which constituted a business plan for the redevelopment. The Audit is of the view that executives who made decisions for the redevelopment had no structured guidance to assist with the resolution of issues involving the priority of potentially conflicting objectives.

5.47 Guidance on the priorities of competing objectives would have assisted executives in situations where taking action to achieve one objective could conflict with achievement of others. Examples of these situations were the frequent decisions to vary the project for functionality, aesthetic and marketing reasons. These decisions added to the cost of the project and were apparently made on the basis that completing the project to high quality standards was a higher priority than containing the cost to estimates advised to the Cabinet.

5.48 The Stadium financial model used during the project was not a substitute for a comprehensive business plan. In its extant form, it was difficult to use effectively. It was a 160 page spreadsheet containing many columns of closely typed numbers. A few individuals only understood it. In the Audit view it did not meet the expectations of a well prepared business plan. The usefulness of the Stadium financial model is discussed in *Report 7 — Stadium Financial Model*.

## CONCLUSION

5.49 Ms Ford and Mr Lilley had direct responsibility for managing the redevelopment. Both of these executives had a range of other concurrent and unrelated duties and only applied a small proportion of their time to the redevelopment. This may have created difficulties particularly in ensuring that important issues were given in-depth consideration and timely decisions were made.

5.50 The Project Control Group had no formal charter. Membership arrangements were not settled in that individual members' responsibilities and accountabilities were not defined. No person was formally appointed as a chairperson. The Audit is unable to draw a definite conclusion on whether these matters allowed significant problems in the implementation of the redevelopment to go unresolved or to be resolved in an unsatisfactory manner. It would have been sound management practice, however, to formally settle these matters.

5.51 A business plan was not prepared for the redevelopment. The development and endorsement of a business plan would have been expected to be an essential step in the overall management of the project. A well considered, agreed and understood business plan would have facilitated consistent decisions. The absence of a comprehensive business plan meant that there was no formal and agreed analysis of the business environment, including a strategic assessment of the strengths,

weaknesses, opportunities and threats facing the Stadium.

5.52 On the basis of the discussion in this Chapter the Audit's conclusion is that operational management of the redevelopment was inadequate.

## 6 CONSULTANTS AND STAFFING

### INTRODUCTION

6.1 This Chapter outlines and comments on the use of consultants, contractors and staffing arrangements for the project and discusses their implications. It addresses:

- consultants used on the project; and
- staff resources used on the project.

### SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *For a number of important activities consultants' work was relied upon without a reasonable level of review.*
- *Only one person was initially assigned to the project on a full time basis and that person had limited relevant experience or qualifications.*
- *Staffing arrangements were inadequate and led in part to weak and, in some cases non-existent, administrative and decision making processes.*

### CONSULTANTS

6.2 Extensive use was made of consultants. These were engaged to provide project management and advice on construction costs, financing arrangements, hiring agreements with the football clubs, legal matters and marketing.

6.3 The work of consultants was, to a large extent, relied upon without a reasonable level of review. In most cases, the work of consultants was accepted without question.

6.4 In a response received during the Audit<sup>16</sup> advice was provided that executives were entitled to rely on the guidance they received from consultants as 'they were not experts in a number of fields, recognised this and sought opinion and advice from a number of highly credible

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<sup>16</sup> Mick Lilley, 4 May 2000, Rod Gilmour, 26 April 2000.

individuals and organisations’.

### *Audit Comments*

6.5 The Audit’s review of various aspects of the redevelopment project, as explained in several of the reports of the Audit, revealed that for several important activities consultants’ work was accepted and relied upon with minimal review of their outputs. This resulted in there being little considered analysis of proposals and emerging issues by the executives who were responsible for the redevelopment.

6.6 The Audit is not suggesting that executives should have redone each piece of consultant’s work in detail. Executives, however, should at least, have ensured the consultant’s work was reviewed for reasonableness. If the executives had any doubts about the reasonableness of consultants’ work, the matter should have been resolved. This could have involved discussions with the consultants, undertaking additional procedures, including possibly engaging another consultant, or rejecting the work.

6.7 If the executives initially accepted the reasonableness of the work, the level of the works’ importance to the redevelopment project is the guide to the extent and depth of further review needed. Less important work would need little or no review, while obviously, work which was highly important to the successful outcome of the redevelopment, should have been examined in detail.

6.8 Clearly executives should not rely unquestioningly on the work of consultants. While the ability of executives to critically examine the specialised work of some consultants may be limited, if outcomes for which they are responsible are not achieved, the executives cannot expect to rely on the fact that they were acting on consultant’s advice to justify their management performance as being acceptable.

### **STAFF RESOURCES**

6.9 Only one staff member was allocated to the project on a full time basis during the early stages of the redevelopment. That staff member was a Senior Officer Grade C with five years experience and no relevant tertiary academic or professional qualifications. An executive level officer was assigned by the Under Treasurer to work on aspects of the project from the third quarter of 1998.

*Audit Comment*

6.10 The paucity of staff provided very little capacity to effectively manage what was a complex and risky project. There was minimal capability for internal analysis and review of material presented by the project manager and consultants. There was also very little capacity for independent review of proposals by financial and marketing consultants.

6.11 There was virtually no capacity to collect, collate and interpret data on crucial issues relating to the redevelopment project.

6.12 The understaffing of the project may have contributed to weak, and in some cases non-existent, administrative and decision making processes. In general, the quality of processes was of a low standard. Examples of the poor administrative procedures observed by the Audit were:

- there was no documentation to evidence that analyses of options to address key issues were undertaken;
- records of decisions made at meetings of executives were almost non-existent;
- for many important decisions and actions, consultants' documents were the only records available;
- several important documents, including final copies of some important correspondence, could not be located during the Audit; and
- an important contract document was never finalised and other contracts were not signed until many months after the subject work commenced.

6.13 Staffing arrangements were clearly inadequate. The Audit considers that not allocating sufficient appropriately qualified staff to the redevelopment was a contributing factor to the difficulties encountered during the redevelopment.

6.14 In response to the Audit's questions on this matter advice was provided<sup>17</sup> that BASAT was accountable to four Ministers at the one time with the associated servicing requirements. The Department was

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<sup>17</sup> Annabelle Pegrum, 31 March 2000

responsible for other Government priorities such as Project 2000 marketing, ACTBIS, Cantrade, the Kingston foreshore competition, the Very High Speed Train and the establishment of the Cultural Facilities Corporation and the Canberra Tourism and Events Corporation. These initiatives also required the allocation of staff resources.

6.15 In a separate response provided during the Audit advice was provided<sup>18</sup>, that concerns about the shortage of staff assigned to the project were verbally raised with the then Chief Executive. The advice included that the Chief Executive had responded that the project had been deliberately structured so that consultants provided the necessary expertise.

## **CONCLUSION**

6.16 The Audit's review of various aspects of the redevelopment project, as explained in several of the reports of the Audit, revealed that for a number of important activities consultants work on the redevelopment was accepted and relied upon without any review. The Audit acknowledges that there are limitations on the ability of some executives to critically examine the work of some experts. Nonetheless, in the present circumstances, executives should not expect to rely on the work of experts as an acceptable reason for outcomes for which they are responsible not being achieved.

6.17 Not one person with substantial relevant experience or professional qualifications was initially assigned to the project on a full time basis. There was minimal capacity to oversight or manage what was a complex and risky project. The understaffing of the project significantly contributed to weak and, in some cases non-existent, administrative and decision making processes and the other difficulties encountered during the project. In short, staffing arrangements were inadequate.

6.18 The Audit's conclusion is that there was significant over reliance on consultants and there were inadequate Government staff allocated to the redevelopment project.

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<sup>18</sup> Moiya Ford, 16 March 2000

## **7 PCG PROCEDURES**

### **INTRODUCTION**

7.1 The previous Chapter noted that although the Project Control Group (PCG) assumed that it had responsibility for making all policy, management and administrative decisions, it in effect largely only advanced construction issues. This Chapter describes and comments on the PCG procedures in respect of its construction related role.

### **SIGNIFICANT FINDINGS FROM THIS CHAPTER**

- *The four major construction contracts featured an excessive number and value of contract variations.*
- *Contract variations were not approved by the PCG in a timely manner and documentation available does not generally indicate that the PCG considered the impact of the variations on the project overall or the project budget specifically.*
- *Documentation in support of many budget variations, especially internal transfers within the approved budget, was insufficient to offer the PCG a sound basis for decision-making.*
- *Opportunities for executives to consider the implications of budget variations were limited, as many variations were actioned in apparent anticipation of PCG approval.*

### **MATTERS ADDRESSED IN THIS CHAPTER**

7.2 In particular this Chapter addresses:

- variations to the overall redevelopment budget;
- contract variations;
- secretarial responsibilities; and
- the preparation of business papers.

### **VARIATIONS TO THE OVERALL REDEVELOPMENT BUDGET**

7.3 CRI, as project manager, prepared a ‘Process Plan for Cost

Management’ as part of its documented project management procedures. The ‘Process Plan’ stated that the PCG ‘is required to authorise the project budget as amended. Authorisation is documented in PCG meeting minutes’. The project budget was a permanent item on the PCG agenda for its scheduled meetings and was discussed at each of the 31 PCG meetings held during the two years of the project. Several PCG meetings were convened to consider the budget as a single issue.

7.4 The project budget was developed by WT Partnership for the project manager. Budget variations – either internal transfers within the approved overall budget or increases in the overall budget - were generally advanced formally or recommended by WT Partnership and endorsed by the project manager. Variations were presented to the PCG in the cost management reports prepared monthly by WT Partnership. Recommendations were commonly included in PCG papers prepared by the project manager, but there was little detail provided on the ‘Variation Approval’ forms for the Group’s consideration.

7.5 During the Audit, advice was received that the budget reports provided to the PCG were based on directions by the PCG at previous meetings.<sup>19</sup> Thus the variations and transfer forms submitted by WT Partnership and endorsed by CRI’s project manager reflected previous decisions of the PCG. CRI also advised that budget papers (including variations and transfers) were reviewed jointly by the project manager and the government’s project officer before each PCG meeting.

7.6 Key recommendations such as to increase the overall budget, appear to have attracted considerable discussion at PCG meetings. However, the meeting minutes are not sufficiently detailed to clearly indicate the nature of the discussion, and generally do not record directions regarding budget variations or adjustments. The Audit also notes that reviews of budget matters before each PCG meeting are not documented.

7.7 Most cost management reports include budget transfers, i.e. adjustments which varied allocations for individual cost items within the approved overall budget. The adjustments included transfers from the contingency allocation to other cost items such as fees or construction works, and transfers of works from one construction package to another.

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<sup>19</sup> CRI Project Management Pty Ltd, project manager, 14 December 1999

Little explanation for the transfers is given on the Budget Adjustment forms submitted for PCG approval.

7.8 PCG documentation indicates the transfers were generally recommended by the project manager or WT Partnership and appeared to have already been actioned by the time they were presented to the PCG. The PCG meeting minutes record no discussion of these transfers nor do they record approval to the transfers (except on the relatively few occasions when a revised overall budget was presented to the PCG). A few of the budget adjustment forms sighted by the Audit bear the signature of government officials.

### ***Audit Comment***

7.9 Documentation proposing many of the budget variations, especially internal transfers within the approved budget, was insufficient in itself to provide the executives representing the Government on the PCG a sound basis for decision-making. Although the proposed variations were apparently reviewed prior to each PCG meeting, the reviews are not documented.

7.10 The opportunities for the executives to consider the implications of variations were limited, as many variations, especially internal transfers, had been actioned prior to PCG approval being sought. Although the project manager has advised<sup>20</sup> that these matters were only actioned after they had been discussed by the PCG, discussions are not generally recorded in the PCG meeting minutes. The specific authority which permitted government officials to sign budget adjustment forms, on the few occasions that they did so, also remains unknown.

7.11 The Audit considers that a satisfactory management and accountability trail has not been maintained to support budget variations and transfers submitted to and approved by the PCG.

## **CONTRACT VARIATIONS**

7.12 Most cost management reports to the PCG included contract variations orders, i.e. adjustments to contracts required as construction and site condition issues were identified. The adjustments vary the

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<sup>20</sup> Malcolm Naylor, Project Manager, CRI Project Management Pty Ltd, 14 December 1999.

agreed scope of works on construction contracts, effectively committing the Government to a revised (usually increased) contract cost.

7.13 It is normal for a project to contain variations. Contract variations on the Bruce redevelopment, however, were significant, in terms of both quantity and cost. All of the four major construction contracts contained variations, although the quantity varied from contract to contract. In total, variations represented an increase of almost 24% over the original cost of the four construction contracts. *Report 8 - Actual Costs and Cost Estimates* provides more information on the variations.

7.14 CRI procedural documents reviewed by the Audit indicate that variations exceeding \$5,000 were not to proceed without CRI clearance, and variations up to an estimated cost of \$5,000 should only proceed without prior clearance by the project manager when ‘the need to do so is critical’. The PCG authorised the project manager in November 1997 to proceed with variations up to \$20,000 without referring to the PCG. The government project officer was given similar authority. Notwithstanding the agreed approval limits, the Audit could not identify the actual procedure for approval of variations.

7.15 CRI had advised BASAT of a process for administration of variations during the final major construction contract. The process indicates that the PCG would only be advised if the variation or charge was not within the project budget. This did not provide the PCG an opportunity for timely or formal decision making in some cases. It would not have taken long for individual variations, made within the ‘delegation’ to accumulate to a significant sum warranting PCG consideration. Further, the process does not indicate how the construction manager would determine whether a variation was ‘urgent’ or ‘critical’ such that it could be actioned without prior clearance from the project manager.

7.16 Variations were referred to the PCG for endorsement with the monthly cost management reports. Individual variation approval forms provided a description of the specific works and a cost, but no information as to why the variation was necessary. No information was presented to the PCG to indicate which variations were time critical. Given that PCG meetings were mostly held monthly, it can be assumed that many of the variations had been actioned by the time the PCG formally considered the variation approval forms. It is not evident that during the period between the monthly cost management reports the PCG

was provided with additional advice regarding variations.

7.17 It seems the relevant contractors had been instructed to action variations by a person, or persons, without any authority. The project manager advised the Audit<sup>21</sup> that ‘in many cases, contractors actioned variations without authority and contrary to obligations outlined in contracts and ... control procedures specified by CRI’.

7.18 The PCG minutes record no discussion of the variation approval forms, other than to indicate infrequently that variations required approval.

### *Audit Comment*

7.19 It is reasonable to expect that the PCG should have given timely consideration to the actual need for variations. In other words, if the variation was a question of quality of inclusions or finish rather than, say, a safety or ‘buildability’ issue, the PCG would be expected to consider the necessity of the work – the extent to which the work was essential to the functionality of the facilities – bearing in mind the apparent limit to the funds available. In the absence of documentation justifying the variations, it is difficult for the Audit to form an opinion on the decision-making process. The Audit notes, however, that all variations formally presented to the PCG were approved. These approvals in many instances appear to be an acknowledgement of work already done or commenced.

7.20 The four major construction contracts featured an excessive number and cost of contract variations throughout the redevelopment. Many of the variations are a factor of continual increases to the scope of works for the project. The Audit would expect the need for such variations, including the impact on the project and project budget, to be documented, and submitted to the PCG in sufficient time to allow an informed decision to proceed. Variations were not approved by the PCG in a timely manner and documentation available does not generally indicate that the PCG considered the impact of the variations on the project overall or the project budget specifically.

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<sup>21</sup> Malcolm Naylor, Project Manager, CRI Project Management Pty Ltd, 14 December 1999.

## **OTHER OBSERVATIONS**

### **Secretarial Responsibilities**

7.21 Determining the agenda, preparing agenda papers and recording the decisions of the PCG was the responsibility of the project manager in accordance with that company's contractual arrangement with BASAT. The minutes of PCG meetings were presented at the following meetings and in most cases accepted by the PCG without amendment.

#### ***Audit Comment***

7.22 The Minutes of meetings prepared by the project manager were not in sufficient detail to record reasons why certain decisions were taken or not taken. There was an absence of clearly specified information on the nature and responsibility for follow up action.

### **Business Papers**

7.23 Preparation of business papers for consideration by the PCG was the responsibility of the project manager. PCG meeting papers and minutes were very brief. The papers prepared for consideration by the PCG generally consisted of either brief recommendations, a series of dot points or questions. The Audit understands that separate papers were often distributed at PCG meetings. These documents, however, were not generally included with the minutes and were frequently difficult to locate from departmental and project files.

#### ***Audit Comment***

7.24 The papers prepared for consideration by the government executives on the PCG generally lacked detail. Accordingly, it has been difficult for the Audit to form a clear view on the extent to which the executives were properly briefed or were provided with options for consideration in relation to particular matters.

7.25 Although the Audit was advised that PCG papers were supplemented by detailed oral presentations at PCG meetings, the Audit is not able to form an opinion on whether decisions of the PCG were based on relevant, reliable and complete information. Generally, however, it is clear that options do not seem to have been canvassed in business papers.

## CONCLUSION

7.26 The four major construction contracts featured a large number and value of contract variations. Many of the variations were a factor of continual increases to the scope of works for the project.

7.27 Contract variations were not approved by the PCG in a timely manner and documentation available does not generally indicate that the PCG considered the impact of the variations on the project overall or the project budget specifically. In addition, the documentation proposing many of the budget variations, especially internal transfers within the approved budget, was insufficient to offer the PCG a sound basis for decision-making.

7.28 The papers prepared for consideration by the PCG generally lacked detail. In most cases PCG papers contained insufficient detail for informed decisions to be made on them. It is acknowledged that PCG members may have had other information available to them to assist with their deliberations.

7.29 On the balance of the information available, the Audit concludes that the procedures adopted by the PCG did not provide a satisfactory management and accountability trail to support budget variations and transfers.

## 8 ANALYSES TO SUPPORT DECISION MAKING

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### INTRODUCTION

8.1 Systematic, detailed and rigorous analysis is important for sound decision making and good governance. Successive ACT Governments have made numerous statements of their commitment to sound analysis as the basis for effective decision making.

8.2 Sound economic and financial analyses would have been expected to be conducted to inform decisions by the Cabinet on whether to redevelop the Stadium and to bid to host part of the Olympic soccer tournament. Economic analyses were necessary to estimate the costs and benefits of the project to the Territory. Financial analyses were necessary to estimate the profit or loss from the project to the Government.

8.3 This Chapter commences by providing comments on economic and financial analyses undertaken in relation to the project and then refers to existing guidelines on project analysis.

### SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *Sound economic and financial analyses have not been undertaken.*
- *The analyses that have been prepared have been of little reliability.*
- *Treasury guidelines are available to provide advice on the undertaking of economic and financial analyses to assist decision makers.*

### COMMENTS ON SPECIFIC ANALYSES CONDUCTED

8.4 The following comments relate to specific analyses of the redevelopment and Olympic soccer reviewed during the Audit. The results of these analyses were used to varying extents to justify and support the redevelopment of the Stadium.

8.5 A report titled *Sydney 2000 Olympics Economic Benefits for the*

*ACT Preliminary Estimates* was produced in February 1996. Although the report's title indicated that it addressed economic benefits for the Territory, it was not a systematic, complete or reliable analysis.

8.6 The Office of Financial Management (OFM) prepared an assessment of the benefits of Olympic soccer in July 1996 which produced an estimate of the economic benefits of \$20m. This figure was unreliable, but it nevertheless informed the submission to the Cabinet of 20 September 1996 titled *Canberra – An Olympic City* and was referred to publicly on several occasions.

8.7 Following SOCOG's decision to make Canberra a host city for Olympic soccer, a full cost-benefit analysis of the Stadium redevelopment was to be prepared for consideration by the Standing Committee on Planning and Environment in its inquiry into the 1997-98 Draft Capital Works Program. This did not happen and the Committee received only a slightly changed version of the OFM's July 1996 assessment of Olympic soccer.

8.8 The analyses mentioned are discussed in detail in *Report 4 – Decision to Redevelop the Stadium*.

## **OTHER ANALYSES**

8.9 A number of other analyses were subsequently undertaken as part of the project. These included:

- *The Redevelopment of Bruce Stadium: A Cost-Benefit Analysis*, produced by OFM in mid-1997;
- an economic impact analysis of Olympic soccer, produced by OFM in early 1998; and
- 'Canberra's Olympic Economic Impact Prediction 1997-2005', produced by Project 2000 in April 1998.

8.10 The Audit reviewed the three analyses mentioned for their reasonableness and their consistency with the conventional economic and financial principles outlined in the Treasury guideline referred to later in this Chapter.

### ***Audit Comments***

8.11 In the Audit's view each of the analyses produced unreliable

results. Brief comments on each of the analyses follow.

8.12 *The Redevelopment of Bruce Stadium: A Cost-Benefit Analysis* — Irrespective of its title this was not a cost-benefit analysis as conventionally understood but an analysis of the impact of the redevelopment on the Government's finances. In this regard, the analysis produces unreliable results, partly because of its uncritical reliance on the financial projections presented in *Version 6* of the Stadium financial model.

8.13 The shortcomings of the financial model are discussed in detail in *Report 7 – Stadium Financial Model*. In particular, the model projected huge increases in Stadium attendance and revenue. The OFM analysis makes no comment on the projections, but rather says the projections for upfront capital revenue 'are considered conservative estimates'.

8.14 Further, the analysis includes \$0.3m in taxes raised from expenditure by spectators at Olympic soccer but ignores other more significant financial effects. At the time of the preparation of the analysis in May and June 1997, it was already recognised that hosting Olympic soccer would impose a large net financial cost on the ACT Government.

8.15 The comments in the analysis on the wider economic effects of the redevelopment are brief. They cannot reasonably be regarded as a considered analysis.

8.16 The Net Present Value of the project presented in the analysis ranged from \$12m to \$29m. Although it had shortcomings, the analysis was the basis for the official estimate of the net economic benefit to Canberra of the redevelopment and Olympic soccer of \$23m. This figure was presented in the Cabinet submission of 25 July 1997 (*Canberra – 2000 Olympic Football Tournament*) and by the Chief Minister to the Legislative Assembly on 2 September 1997.

8.17 *Economic Impact Analysis of Olympic Soccer* — This spreadsheet appears to be an attempt to produce a conventional cost-benefit analysis of Olympic soccer. The analysis has a number of problems, some of which are discussed below.

8.18 The analysis tests three levels of attendance (94%, 80% and 75%) at a 40,000-seat stadium and assumes 50% of total attendance would be from outside the ACT. The minimum attendance was therefore

anticipated to be 30,000 per game and the minimum number of non-residents attending was therefore 15,000 per game. This was not a realistic sensitivity analysis. In early 1998, evidence was available to the OFM of attendance at recent soccer internationals at Bruce Stadium involving the Australian men's and women's teams. The crowds were 4,793 on 1 November 1996 and 4,031 on 5 March 1997. Such figures suggest that a lower attendance assumption should have been included in the analysis. The assumption that 50% of total attendance would be from outside the ACT should also have been questioned. Introducing more conservative figures into the analysis has a significant effect on the projected results. The 94% attendance scenario assumes 18,783 non-ACT spectators per game. If a lower figure such as 3,757 (i.e. one fifth) is used, the projected net benefit will be \$13.2m less than in the 94% attendance scenario.

8.19 The analysis includes as a benefit a figure of \$12.5m for the 'Direct and Indirect Multiplier Effects of Operational Cost Expenditure on the ACT Economy'. This figure is based on the cost to Government of hosting Olympic soccer, other than the fixed revenue guarantee payment to SOCOG. These Government costs are also included as benefits in the analysis so that the two figures cancel each other. It is incorrect to include ACT Government expenditure on Olympic soccer as both a benefit and a cost. It is a cost only. Government expenditure is a broad measure of the consumption foregone from alternative public and private uses of the money. The analysis does not answer the key question: what are the benefits from public expenditure on Olympic soccer which would justify the loss of benefits from foregone alternative uses of the money?

8.20 The analysis includes as a benefit a figure of \$4.5m (in the 94% attendance scenario) from ticket sales to ACT residents. This is actually a diversion of expenditure from one activity to another, and should therefore not be included as a benefit to the ACT. The key question for the analysis is what is the increase in consumer surplus from shifting expenditure from other activities to Olympic soccer. The Audit notes that a small part of the figure of \$4.5m may have been expenditure by ACT residents who would have gone to Sydney, Melbourne, Brisbane or Adelaide to watch Olympic soccer if it had not also been staged in Canberra. Hosting Olympic soccer therefore reduces the 'leakage' of money from the ACT economy to some extent. (The concepts in this and the previous dot point are discussed further in *Report 3 – Costs and Benefits*.)

8.21 The analysis makes no mention of the cost of providing 15,000

temporary seats, which were to be installed for Olympic soccer. The cost of this was estimated at \$4.4m. Without this seating, the capacity of 40,000 assumed in the analysis could not be achieved. Acknowledging the cost of the seating would have highlighted the risk of making provision for huge crowds which were unlikely to eventuate.

8.22 The analysis makes no mention of the costs of providing a redeveloped stadium for Olympic soccer. As Olympic soccer was a catalyst for the redevelopment, some part of the capital cost should have been included.

8.23 Correcting for the first four problems identified above produces a result of a net cost to the ACT economy of \$19.2m, compared with the model's net benefit of \$15.4 for the 94% attendance scenario.

8.24 *Canberra's Olympic Economic Impact Prediction 1997-2005* — While the two reports mentioned previously have flaws and are unreliable, they have a semblance of serious analysis. The 'Economic Impact Prediction' is on a lower level. In this analysis every activity conceivably related to the Olympics was aggregated to conclude that the 'economic value' was \$217m. Included in this figure was the \$27m estimated cost of the Stadium redevelopment, an 'estimate' of increased interstate visitor expenditure of \$36.75m, \$14m for upgrading a tennis centre, and a figure of \$25m for 'Increases in Sport Participation'.

8.25 This work was the basis for an estimate of the 'economic value' to Canberra of the Olympics of \$200m. Although this figure was unreliable, it received wide currency in the media and was included in a Government brochure called the *ACT's 1998 Game Plan*.

## GOVERNMENT GUIDELINE FOR ANALYSES

8.26 Past and present Governments have indicated regularly their belief in sound analysis as a basis for decision making. In this regard, the then Government decided that, beginning in 1993-94, all proposals over \$1m should be supported by an assessment of their costs and benefits. Since at least 1993, a Treasury guideline titled *Capital Works Projects Assessments* has been available to assist officials in this regard.

8.27 The latest version of the guideline describes three basic techniques of analysis. They are:

- financial appraisal (asking whether the investment is good for the organisation, which could include the Government as a whole);
- cost-benefit analysis (asking whether the investment is good for the ACT); and
- cost effectiveness analysis (asking how to deliver a desired result at the least cost).

***Audit Comment***

8.28 The guideline provides an outline of the most important requirements of each of the analytical approaches regularly used for capital works assessments and of assessment procedures in general. The guideline provides good advice, not only for officials engaged in presenting and assessing proposals for capital works projects, but for officials engaged in other significant policy decisions.

8.29 The Audit assessed the analyses undertaken of the Stadium redevelopment and Olympic soccer against the Treasury guideline referred to. In the Audit view the analyses clearly did not follow the guideline.

**CONCLUSION**

8.30 It is the Audit view that the ACT Government has never had conducted for it proper economic or financial analyses of the Stadium redevelopment or Olympic soccer. No such analysis was conducted before bidding for Olympic soccer or proceeding with the redevelopment. None has been conducted since the decision to proceed was made.

8.31 Several benefits to be produced from redeveloping the Stadium and hosting Olympic soccer have been put forward. Reliable estimations, however, of these benefits have not been made. All of the official documents which the Audit has seen containing claims of large benefits to the ACT include unreliable information. The results of the analyses were inaccurate and were unsuitable for decision making purposes or public release.

## 9 MANAGEMENT OPTIONS

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### INTRODUCTION

9.1 Previous Chapters of this Report commented on difficulties with management arrangements for the project. The project was managed through the standard departmental structure adopted by the ACT Government.

9.2 This Chapter canvasses two broad management options through which the project could have been managed.

9.3 One involves using the Statutory Authority model for managing the redeveloped Stadium. The second involves augmenting the standard Departmental structure by the use of a steering group comprising senior executives with appropriate skills and knowledge.

### SIGNIFICANT FINDINGS FROM THIS CHAPTER

- *An appropriately empowered, commercially focused statutory authority or other form of agency was not established early in the redevelopment.*
- *A steering group or other form of advisory committee was also not established to provide strategic level advice to the Cabinet or responsible Chief Executive.*

### APPROACHES TO PROJECT MANAGEMENT

9.4 Two possible broad approaches to overseeing the project appear to be feasible.

9.5 One approach would have been to create a statutory authority or other operating agency at the earliest opportunity.

9.6 Another option would have been to establish a very senior level steering group of executives or other advisory committee that would recommend broad policy to the Cabinet and/or responsible Chief Executive and oversight strategic aspects of the project.

9.7 These options are discussed following. It should be noted that

these options are not mutually exclusive and both could have been adopted.

## **STATUTORY AUTHORITY OR SIMILAR AGENCY**

9.8 In its successful submission for selection as project manager for the redevelopment, CRI had proposed that a commercial ‘hands-on’ approach to the management of the Stadium be adopted. Under such an arrangement, there would be a full complement of professional staff and the management of the Stadium would directly manage key operational areas such as marketing, sales, catering and the running of the Stadium during major events. This approach could have been implemented through the establishment of a statutory authority or other agency early in the redevelopment.

9.9 The agency could also have had the role of advising the responsible Minister about the design, size and scope of the redevelopment. The agency could also have had responsibility for the actual construction of the redevelopment and its financing. The agency could have been made legislatively accountable for the successful completion of the project and continuing operation of the Stadium.

9.10 If an early decision had been taken to establish such an agency and properly qualified people were appointed to the agency, a number of strategic issues are likely to have been addressed at an earlier stage than they were.

9.11 Bruce Operations Pty Ltd (BOPL) was incorporated as a wholly Government owned company under the Corporations Law on 17 April 1998. This, however, had no practical effect as the Company was managed by the same executives who were previously managing the redevelopment. Responsibility for key operating functions including the negotiation of new agreements with the hirers, financing arrangements and marketing generally remained with the same executives as they had before the establishment of the company.

9.12 The minutes of the PCG held on 15 February 1999 record that issues relating to marketing, Stadium management, business plan, finance structure and major hirers ‘are to be transferred to a separate meeting format within Bruce Operations Pty Ltd’. In fact these matters had been progressed outside of the PCG for some considerable months and in the case of financing matters had never really been progressed within the

framework of the PCG.

9.13 A statutory authority, the Stadiums Authority, has recently been established. The Authority now has the responsibility to manage the redeveloped Stadium.

***Audit Comments***

9.14 The Audit considers that an appropriately empowered, commercially focused agency with adequate resources could reasonably have been established early in the redevelopment. The agency could have been responsible for strategic aspects of the project including construction matters, financing, marketing, arrangements with the hirers, business planning. It would have also been responsible for stadium management generally.

**STEERING GROUP OR SIMILAR COMMITTEE**

9.15 As indicated previously a second approach to guide the project could have included the creation of a steering group or similar advisory committee of senior executives with the responsibility for providing strategic level guidance on issues associated with the project. This body could have provided advice to the Cabinet, responsible Minister and/or Chief Executive.

***Audit Comments***

9.16 Such advice could have included that a statutory body or similar agency be created to oversight the implementation of the redevelopment. If it had been decided not to establish a statutory body to oversee the implementation, the group could also have provided guidance to the executives implementing the project.

9.17 A number of strategic issues were not resolved satisfactorily during the life of the project. Addressing and providing solutions to these issues could have been the prime responsibility of such a group.

**REASONS FOR NOT CONSIDERING ALTERNATIVE OPTIONS**

9.18 In a response received during the Audit<sup>22</sup>, advice was provided that it did not occur to anyone at the time to establish a body to oversight the project. The advice included a list of possible reasons for not creating such a body. The list included:

- a Project 2000 committee, which comprises a group of private sector persons was established to provide an interface between the business community, executives and the Government on issues related to the 2000 Olympics;
- a SOCOG negotiating team, chaired by the chairman of Project 2000 and including the Under Treasurer, the then Chief Executive of the Department of Urban Services and the General Manager of the Bureau of Sport, Recreation and Racing was established to negotiate a Memorandum of Understanding between the Territory and SOCOG;
- CRI was engaged to manage the redevelopment;
- a project control group was established that included representatives from the then Department of Business, the Arts, Sport and Tourism, the Office of Financial Management in the Chief Minister's Department , a construction delivery expert adviser from Totalcare as well as representatives from CRI Pty Ltd and Graf Consulting Pty Ltd;
- a considerable use of outsourcing to specialist consultants who were engaged to test aspects of the project such as financing, marketing and management in accordance with the then new approach to the management of government projects;
- the ACT Government Solicitor was fully involved in all critical aspects of the project;
- ACT Contracts reviewed the construction contracts;
- the Office of Financial Management directed all major financial arrangements;
- there were regular briefings by executives of responsible Ministers;

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<sup>22</sup> Annabelle Pegrum, 31 March 2000

- the Chief Minister’s Department was responsible for strategic planning; and
- there were many submissions to the Cabinet throughout the life of the project.

9.19 The advice to the Audit concluded by stating that ‘in hindsight ... an interdepartmental steering group would have proved beneficial in testing directions and providing input particularly in relation to marketing and proposed stadium operations’.

### ***Audit Comments***

9.20 The Audit considers that none of reasons identified in the response constituted overall management of the project. No one single body identified had oversight of all aspects of the project and represented the overall concerns of the Government.

## **CONCLUSION**

9.21 An appropriately empowered, commercially focused statutory authority or other form of agency was not established early in the redevelopment. In the Audit view there is little doubt that the establishment of such an agency with appropriate membership would have contributed towards better management of the project.

9.22 Similarly, a steering group or similar form of advisory committee was not established either. Effectively no oversight body was established with the purpose of providing strategic level guidance and solutions on issues associated with the project. In view of the size and importance of the project to the Territory establishment of such a group would have been prudent management practice.

9.23 Several important issues were not resolved during the progress of the redevelopment. The Audit is of the view that establishing a suitable vehicle or vehicles to address these types of issues could have contributed to their resolution.

## **Annexure**

### *Reports Published in 1993*

- 1 Management of Capital Works Projects**
- 2 Asbestos Removal Program**
- 3 Various Performance Audits Conducted to 30 June 1993**
  - **Debt Recovery Operations by the ACT Revenue Office**
  - **Publicity Unaccountable Government Activities**
  - **Motor Vehicle Driver Testing Procedures**
- 4 Various Performance Audits**
  - **Government Home Loans Program**
  - **Capital Equipment Purchases**
  - **Human Resources Management System (HRMS)**
  - **Selection of the ACT Government Banker**
- 5 Visiting Medical Officers**
- 6 Government Schooling Program**
- 7 Annual Management Report for the Year Ended 30 June 1993**
- 8 Redundancies**
- 9 Overtime and Allowances**
- 10 Family Services Sub-Program**
- 11 Financial Audits with Years Endings to 30 June 1993**

### *Reports Published in 1994*

- 1 Overtime and Allowances - Part 2**
- 2 Department of Health** - **Health Grants**
  - **Management of Information Technology**
- 3 Public Housing Maintenance**
- 4 ACT Treasury** - **Gaming Machine Administration**
  - **Banking Arrangements**
- 5 Annual Management Report for Year Ended 30 June 1994**
- 6 Various Agencies** - **Inter-Agency Charging**
  - **Management of Private Trust Monies**
- 7 Various Agencies** - **Overseas Travel - Executives and Others**
  - **Implementation of Major IT Projects**

Annexure (continued)

**8 Financial Audits with Years Ending to 30 June 1994**

**9 Performance Indicators Reporting**

*Reports Published in 1995*

**1 Government Passenger Cars**

**2 Whistleblower Investigations Completed to 30 June 1995**

**3 Canberra Institute of Technology - Comparative Teaching Costs and Effectiveness**

**4 Government Secondary Colleges**

**5 Annual Management Report for Year Ended 30 June 1995**

**6 Contract for Collection of Domestic Garbage/Non-Salary Entitlements for Senior Government Officers**

**7 ACTEW Benchmarked**

**8 Financial Audits With Years Ending to 30 June 1995**

*Reports Published in 1996*

**1 Legislative Assembly Members - Superannuation Payments/Members' Staff - Allowances and Severance Payments**

**2 1995 Taxi Plates Auction**

**3 VMO Contracts**

**4 Land Joint Ventures**

**5 Management of Former Sheep Dip Sites**

**6 Collection of Court Fines**

**7 Annual Management Report For Year Ended 30 June 1996**

**8 Australian International Hotel School**

**9 ACT Cultural Development Funding Program**

**10 Implementation of 1994 Housing Review**

**11 Financial Audits with Years Ending to 30 June 1996**

Annexure (continued)

*Reports Published in 1997*

- 1 **Contracting Pool and Leisure Centres**
- 2 **Road and Streetlight Maintenance**
- 3 **1995-96 Territory Operating Loss**
- 4 **ACT Public Hospitals - Same Day Admissions**  
**Non Government Organisation - Audit of Potential Conflict of Interest**
- 5 **Management of Leave Liabilities**
- 6 **The Canberra Hospital Management's Salaried Specialists Private Practice**
- 7 **ACT Community Care - Disability Program and Community Nursing**
- 8 **Salaried Specialists' Use of Private Practice Privileges**
- 9 **Fleet Leasing Arrangements**
- 10 **Public Interest Disclosures - Lease Variation Charges**  
**- Corrective Services**
- 11 **Annual Management Report for Year Ended 30 June 1997**
- 12 **Financial Audits with Years Ending to 30 June 1997**
- 13 **Management of Nursing Services**

*Reports Published in 1998*

- 1 **Management of Preschool Education**
- 2 **Lease Variation Charges - Follow-up Review**
- 3 **Major IT Projects - Follow-up Review**
- 4 **Annual Management Report for Year Ended 30 June 1998**
- 5 **Management of Housing Assistance**
- 6 **Assembly Members' Superannuation and Severance Payments to Former Members' Staffers**
- 7 **Magistrates Court Bail Processes**
- 8 **Territory Operating Losses and Financial Position**
- 9 **Financial Audits with Years Ending To 30 June 1998**

Annexure (continued)

- 10 Management of Schools Repairs and Maintenance**
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer**

*Reports Published in 1999*

- 1 Stamp Duty on Motor Vehicle Registrations**
- 2 The Management of Year 2000 Risks**
- 3 Annual Management Report for the Year Ended 30 June 1999**
- 4 Financial Audits with Years Ending To 30 June 1999**

*Reports Published in 2000*

- 1. Bruce Stadium Redevelopment — Summary Report**
- 2. Bruce Stadium Redevelopment — Value for Money**
- 3. Bruce Stadium Redevelopment — Costs and Benefits**
- 4. Bruce Stadium Redevelopment — Decision to Redevelop the Stadium**
- 5. Bruce Stadium Redevelopment — Selection of the Project Manager**
- 6. Bruce Stadium Redevelopment — Financing Arrangements**
- 7. Bruce Stadium Redevelopment — Stadium Financial Model**
- 8. Bruce Stadium Redevelopment — Actual Costs and Cost Estimates**
- 9. Bruce Stadium Redevelopment — Market Research and Marketing**
- 10. Bruce Stadium Redevelopment — Stadium Hiring Agreements**
- 11. Bruce Stadium Redevelopment — Lawfulness of Expenditure**
- 12. Bruce Stadium Redevelopment — Governance and Management**

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