

ACT Auditor-General's Office

Performance Audit Report

Delivery of Budget Initiatives

June 2010



ACT AUDITOR-GENERAL'S OFFICE



PA 09/14

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to forward to you a Performance Audit Report titled '**Delivery of Budget Initiatives**', for tabling in the Legislative Assembly, pursuant to Section 17(5) of the *Auditor-General Act 1996*.

Yours sincerely

Tu Pham
Auditor-General
3 June 2010

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LIST OF ABBREVIATIONS

ACT	Australian Capital Territory
ANAO	Australian National Audit Office
CIT	Canberra Institute of Technology
CMD	Chief Minister's Department
DECCEW	Department of Environment, Climate Change, Energy and Water
DHCS	Department of Disability, Housing and Community Services
EEF	Energy Efficiency Fund
FABD	Finance and Budget Division of the Department of Treasury
FMA	<i>Financial Management Act 1996</i>
GP	General Practitioner
Health	ACT Health
Housing ACT	Housing
ICT	Information and Communication Technology
JACS	Department of Justice and Community Safety
PMBOK Guide	Project Management Body of Knowledge Guide published by American Project Management Institute
TAMS	Department of Territory and Municipal Services
Treasury	Department of Treasury

1. REPORT SUMMARY AND AUDIT CONCLUSIONS

INTRODUCTION

- 1.1 This report presents the results of a performance audit that reviewed the implementation of selected budget initiatives by ACT Government agencies. The audit specially focused on whether the agencies have delivered the initiatives for which they received funding in the 2007-08 and 2008-09 budgets, noting that some funded initiatives were intended to be delivered over a number of years.

BACKGROUND

- 1.2 Section 10 of the *Financial Management Act 1996* (FMA) requires the Treasurer to present to the Legislative Assembly a proposed budget for the Territory and for each department, statutory authority and territory-owned corporation for each financial year.
- 1.3 The proposed budget for the Territory and its agencies must be prepared in a form that supports a comparison for each appropriation unit, between the budget from the previous financial year and the proposed budget. The proposed budget must take into account:
- the principles of responsible fiscal management;
 - the object of providing a basis for sustainable social and economic services and infrastructure fairly to all Australian Capital Territory (ACT) residents; and
 - the object of ecological sustainable development (ESD).
- 1.4 The annual budget outlines the Government's policy directions and operational priorities that affect the community. To implement the Government's various agenda to meet the needs of the ACT community, agencies are allocated funding for new budget initiatives, reflecting Government's spending priorities for the budget year and forward years. Responsible agencies must implement the budget initiatives as specified in the budget in an efficient and effective manner.
- 1.5 The funding for new recurrent and capital initiatives in 2007-08 and 2008-09 budgets was significant (\$199 million and \$378 million respectively). In particular, the 2008-09 Budget reflected the Government's policy commitment to a major program of targeted investment in the Territory's infrastructure.

AUDIT OBJECTIVE

- 1.6 The objective of this Audit was to provide assurance to the Legislative Assembly on whether the relevant public sector agencies have delivered the selected initiatives for which they received funding in the 2007-08 and 2008-09 budgets.

1.7 The ACT Government agencies selected for this audit were:

- ACT Health (Health);
- the Canberra Institute of Technology (CIT);
- the Department of Disability, Housing and Community Services (DHCS);
- Housing ACT (Housing);¹
- the Department of Justice and Community Safety (JACS); and
- the Department of Territory and Municipal Services (TAMS).

1.8 The audit primarily assessed whether the selected agencies have:

- sound strategies, policies and plans to implement the initiatives within the allocated funding and on time;
- achieved the expected outputs and, where appropriate, outcomes outlined in the budget proposals; and
- monitored, evaluated, and reported against specified benchmarks or performance measures.

1.9 **Appendix A** outlines the audit criteria, approach and methodology.

AUDIT CONCLUSIONS

1.10 The audit conclusions drawn against the audit objective are set out below.

Agencies achieved mixed results in the delivery of initiatives for which they received funding in the 2007-08 and 2008-09 budgets.

Agencies have adhered to the planned scope of the budget proposals and, in most cases, delivered the recurrent expenditure initiatives within the years the funds were provided.

Agencies, however, did not perform well in the implementation of the capital initiatives. About 45 percent of selected projects were not completed on time and within budget. Agencies spent less than 50 percent of the funds provided during the years under review.

Significant delays in implementing the budget initiatives could increase final costs, and reduce the effectiveness of the Government budget strategy, in particular, the delivery of necessary infrastructure to support better service delivery to the ACT community.

There is scope to improve the processes used by agencies to implement budget initiatives, including planning, project management, risk management, and performance management.

¹ Housing ACT is a separate reporting entity as it is a department under the FMA. It is part of Housing and Community Services, one of the functional areas within DHCS.

KEY FINDINGS

1.11 The audit opinion is supported by the following findings:

Delivery of recurrent initiatives (Chapter 3)

- Agencies adhered to the original scope of the budget proposals and delivered most of the selected recurrent initiatives within budgets but with some delays.
- Several of the audited agencies did not spend all of the funding provided for their recurrent initiatives within the budget years and ‘rolled over’ funds to the following years. For the initiatives selected for review, agencies spent 50.7 percent of the original budgets in 2007-08 and 69.2 percent in 2008-09. This represented an average underspending of 40.1 percent per annum during the years under review.

Delivery of capital initiatives (Chapter 4)

- All selected capital works initiatives were implemented by agencies in accordance with the scope and objectives submitted in the budget proposals. However, nine of a total of twenty capital works projects reviewed (or 45 percent) were not completed on time and/or within budget.
- There were significant delays in completing many infrastructure and capital works projects.
- The reasons for delays in the implementation and completion of capital projects were numerous. Although some contributing factors were outside the agencies’ control, the lack of effective planning and project management were the main reason affecting the delivery of many projects.
- Delays in completing projects could cause additional financial costs to the Territory and reduce the effectiveness of the Government overall budget strategy. In particular, these delays adversely affected the provision of specific infrastructure and services as announced in the Budgets, and expected by the community.
- Some agencies did not adopt effective project management methodology to assist with the implementation of budget initiatives.
- Due to the increased number of capital work initiatives, and staff shortages, some agencies decided at a late stage to employ contracted staff to manage the implementation of the budget initiatives.
- The apparent lack of capacity within the ACT public sector, both at the whole-of-government level and at the individual agency level, to manage and deliver a significant program of capital works announced in recent budgets increases the risks of the Territory not achieving value for money, appropriate quality of projects and the intended outcomes.

Implementation of budget initiatives (Chapter 5)

- Four of ten selected recurrent initiatives were not supported by a structured implementation plan.

- Seven of twenty capital initiatives reviewed were not supported by a project implementation plan.
- The planning for the implementation of budget initiatives was inadequate, and as a result, some agencies made ad-hoc decisions to react to problems as they arose.
- Monitoring and reporting of project performance by agencies was generally satisfactory.
- Several of the audited agencies did not have post-implementation reviews of the completed projects.
- There is further scope for improvement in monitoring, reviewing, and reporting on the agreed outcomes of projects during and after the implementation. In particular, key lessons learnt can make a significant contribution to the delivery of successful projects in the future.

RECOMMENDATIONS AND RESPONSE TO THE REPORT

1.12 The audit made four recommendations to address the audit findings detailed in this report.

1.13 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Chief Executive of each audited agency for consideration and comments. The overall responses from the Chief Executives are shown below:

ACT Health's response

ACT Health generally agrees with the findings and recommendations included in the audit report.

Department of Justice and Community Safety's response

The finding, observations and recommendations in the Audit are generally supported by the Department.

Canberra Institute of Technology's response

CIT supports the four audit recommendations

Department of Disability, Housing and Community Services' response

The Department generally agrees with the findings and recommendations in the audit report.

1.14 In addition, the Chief Executives provided responses to each recommendation, as shown below.

Recommendation 1 (Chapter 4)

Agencies should adopt a formalised project management framework to manage the implementation of budget initiatives.

ACT Health's response:

Agreed in part:

- *ACT Health ensures that formal project management frameworks are in place prior to the commencement of initiatives which seek to establish new or improved health services.*
- *Some budget initiatives within the health service comprise the allocation of additional funding to meet increasing demands for services.*
- *Funds allocated to meeting increased demands for services rarely require formal project plans. Executives and managers who are responsible for the expenditure of such additional funds are responsible via ACT Health reporting protocols and annual performance agreements.*

JACS's response:

Agreed - The Department is currently designing a single project management methodology to be applied to departmental projects. In May 2009 the department agreed on the development of a preferred project management methodology and training and sought to have all officers identified as responsible for the delivery of budget initiatives trained in project management.

TAMS's response

Agreed - However, the establishment of a formal project management framework will be reliant upon a skilled workforce. The Department has established a Project Management Community of Practice using the principles of the Australian Institute of Project Management (AIPM). It provides a forum to enhance understanding of project management requirements and to provide further development opportunities such as encouraging project managers to undertake certification processes to recognise professional practicing project managers.

DHCS's response

Agreed – DHCS has employed a Project Management approach to the implementation of large projects and trained many officers in Project Management methodology. In particular, large capital works are managed through the appointment of in-house project officers working in conjunction with project managers in Procurement Solutions as well as in many cases, external engineers or architects who act as superintendents for the design and construction of the works and in very large and complex projects a Project Co-ordinator in the construction company.

Recommendation 2 (Chapter 4)

Agencies should:

- identify early the skills and expertise required to manage budget funded projects;
- provide appropriate training to project management staff; and
- allocate staff specifically to the project management aspects of large capital projects.

ACT Health's response:

Agreed – all recommendations already implemented.

JACS's response:

Agreed - As part of the budget formulation process, focus by the Department is directed toward what resources will be required to manage a project and planning on how this might be sourced should an initiative be successful.

The Department has identified project management as a key JACS skill under the priorities of its training and development program. Officers identified as Projects Managers of particularly budget initiatives in the 2009-2010 budget were asked to undertake a Certificate IV or Diploma in Project Management to develop their skills in this area and provide them with practical knowledge on how to manage projects, with particular emphasis on capital projects.

As at 30 April 2010, 55 staff have undertaken the program since 2008. Of these, seven obtained a Diploma qualification and four the Certificate IV qualification.

The Department reviewed its capital works and infrastructure management capability and delivery in December 2009. The outcomes of this review identified the risks faced in achieving delivery of this program by the absence of a skilled and dedicated senior executive resource responsible for the increasing portfolio of works. The result of this review has led to the creation of dedicated capital works capacity for the Department, this responsibility was previously vested in a number of roles. These new arrangements will take effect at the end of this financial year.

TAMS's response

Agreed - As outlined above, TAMS is developing its workforce to increase skills in project management. It should be noted, that the Department already provides dedicated staff to project manage aspects of its larger infrastructure projects including the routine inclusion of a Project Control Group.

DHCS's response

Agreed – this recommendation is already implemented. Officers that will manage the works in conjunction with Procurement Solutions are identified early in the process. This establishes good communication and reporting lines at the inception of the project and ensures appropriate planning and oversight are part of the project management role.

Recommendation 3 (Chapter 5)

Agencies should:

- develop, for each project, an implementation plan, appropriate to the size and complexity of the project; and
- include in the implementation plan sufficient details to allow adequate monitoring, including timeframe, phases of implementation, procurement strategy, roles and responsibilities, resources, stakeholder management, monitoring and evaluation.

ACT Health's response

Agreed – all recommendations already implemented.

JACS's response:

Agreed - A draft methodology for the delivery of project initiatives has been designed for the department. Each of the aspects identified in the second dot point above have been considered and included within the guidelines and/or proposed templates.

TAMS's response

Agreed - TAMS will explore developing implementation plans as part of the suite of inclusions required as part of the budget initiative process.

DHCS's response

Agreed – this recommendation is already implemented. The documentation and support of the project management role will be reviewed to ensure that there is appropriate performance monitoring of project management.

Recommendation 4 (Chapter 5)

Agencies should:

- review their existing performance reporting system to improve the monitoring and reporting of project performance, especially against project milestones; and
- undertake and document post-implementation reviews of the project to identify any lessons learnt that may assist in the delivery of future initiatives.

ACT Health's response:

Agreed – ACT Health review existing performance reporting systems and undertake post-implementation reviews of projects to provide lessons for the future.

JACS's response:

Agreed - The Department currently provides regular reporting of project performance against project milestones in accordance with ACT Treasury

reporting requirements. A review of performance reporting on projects within the department and its interaction with whole of government requirements is a matter identified for consideration by the Department. The preferred outcome would see a coordinated reporting tool which would incorporate both departmental monitoring and reporting requirements and address the whole of government needs for reporting.

Post implementation reviews, including lessons learnt form part of the Department's proposed project management methodology.

TAMS's response

Agreed - The Department has been making incremental improvements to its capital works reporting system that includes financial and physical performance data, major project milestones, and commentary on specific issues. This will continue to be reviewed with a view to improving the quality of data produced. Post-implementation reviews will be explored as an extension to the activities outlined above.

DHCS's response

Agreed – The Department will review current project management and performance reporting systems. A post-implementation review of each project, appropriate to the scale of the project, will be undertaken to provide lessons learnt for improving the management of future projects.

2. FUNDING OF BUDGET INITIATIVES

INTRODUCTION

2.1 This Chapter provides some background information on the Territory's budget development process and funding of initiatives.

BUDGET POLICY AND STRATEGY

2.2 The ACT Government commits to the principles of responsible financial management in the *Financial Management Act 1996* (FMA), and has maintained the same fiscal policy and strategy since 2007-08. The Government's financial objectives and key measures, as outlined in the 2009-10 Budget Paper No. 3, are to:

- achieve a General Government Sector net operating surplus;
- maintain operating cash surpluses;
- maintain a AAA credit rating;
- manage debt prudently and maintain net financial liabilities within the range of all AAA rated jurisdictions;
- fully fund the Territory's unfunded superannuation liability by 2030;
- maintain quality services and infrastructure;
- make targeted investments to achieve the strategic objectives of economic growth, reducing future costs and address chronic disadvantages; and
- maintain taxation revenues at a sustainable level.²

2.3 The Government's policy agenda is based on the *Canberra Plan*,³ which sets out the Government's vision for the development in the ACT over the next century. The *Canberra Plan* has several components including the:

- Canberra Social Plan;⁴
- Economic White Paper;⁵ and
- Canberra Spatial Plan.⁶

² 2009-10 Budget Paper No. 3, p. 9, 2008-09 Budget Paper No. 3, p. 7, and 2007-08 Budget Paper No. 3, p. 7.

³ The *Canberra Plan* was first launched in 2004 and revised in 2009 as *The Canberra Plan – Towards Our Second Century*. The Plan can be found on the Chief Minister's Department (CMD) website at <http://www.cmd.act.gov.au/policystrategic/canberraplan>.

⁴ *The Canberra Social Plan* is an expression of the Government's vision that the ACT becomes a place where all people reach their potential, make a contribution and share the benefits of the community. The Plan can be accessed on the CMD website at <http://www.cmd.act.gov.au/socialplan/index.shtml>.

⁵ *The Economic White Paper* outlines an economic and industry policy framework to achieve sustainable growth and development. The Paper can be accessed on the CMD website at <http://www.business.act.gov.au>.

⁶ *The Canberra Spatial Plan* outlines a strategic direction to achieve the social, environmental and economic sustainability of Canberra. The Plan can be accessed on the ACT Planning and Land Authority website at <http://apps.actpla.act.gov.au/spatialplan/introductory/index.htm>.

- 2.4 Each of the above plans identifies specific priorities, associated goals and actions, and key progress indicators to measure the extent of achievements against the plan.
- 2.5 The Government usually sets the agenda for its strategic direction early in the budget process, having regard to long-term fiscal trends, emerging budget pressure, and the relative contributions of various outputs to Government's policy agenda.
- 2.6 The annual budget is the Government's key political, economic, and social document, which outlines the Government's planned financial performance and fiscal policy for the forward years. Traditionally, the annual budget attracts significant public interest as it outlines the Government's policy and operational initiatives that affect the community.
- 2.7 Agencies are required to develop annual budgets that encompass a multi-year financial and operational plan. The agency budget allocates resources consistent with each agency's goals, policies, and plans in accordance with the Government's policy direction in the medium term.
- 2.8 During the budget process, agencies submit proposals for capital and recurrent expenditures for government consideration. Funding for capital initiatives is typically provided to purchase an asset such as property, plant and equipment, or construct infrastructure projects. Funding for recurrent initiatives is typically to deliver specific goods and services of a non-capital nature, and for the purposes specified in the budget for a particular year. The funds allocated in a certain budget year may be 'rolled over' to future years, subject to approval of the Department of Treasury (Treasury) or the Government.

BUDGET DEVELOPMENT PROCESS

Budget process and timetable

- 2.9 The Territory's Budget Development Process is a framework used to develop the four-year rolling budget (consisting of the budget for the year and three forward year estimates). Treasury, through its Finance and Budget Division (FABD), liaises with the contact officers in agencies and publishes information on its website⁷ in relation to the administration and management of the Territory budget.
- 2.10 The Treasury memoranda, guidance papers, and templates are communicated to agencies and published on the Treasury intranet website.
- 2.11 Table 2.1 outlines broad timeframes for a typical budget process. In an election year, the process is delayed and condensed, pending the announcement of the results of the election.

⁷ Treasury's website <http://fabd.act.gov.au>

Table 2.1: Budget timeframes for development of the Territory's annual budget

Process	Date
Invitation to the community to participate in the budget process	August
Concept Briefs due for recurrent expenditure initiatives (including offsets) and capital projects initiatives	Late October
Government consideration of Concept Briefs for endorsement of full business case stage (Priority Review Process)	Early December
Agency review of performance indicators	January and February
Review Strategic Asset Management Plans for Capital Upgrades Funding by agencies and Treasury	January
Final business cases due from agencies	Late January
Treasury review of initiative business cases	Throughout February
Review of capital works initiatives by Capital Planning and Development Group and Treasury	Throughout February
Government consideration of the initiatives and the capital work proposals (full business cases)	Throughout March
Agencies and Treasury prepare Budget Papers in accordance with Government Decisions	Mid-March to early April
Presentation of Appropriation Bill and Budget Papers to the Legislative Assembly	First Tuesday in May
Scrutiny of the budget by the Estimates Process	May/ June
Debate of the budget	Late June

Source: Treasury's *Guide to the Budget Development Process for ACT Government Agencies* (August 2007).

2.12 Early in the budget process, the Government seeks community input. Public submissions are reviewed by agency representatives to consider the saving strategies and ideas put forward in the submissions.⁸

Budget initiatives and priority review process

2.13 In late October, agencies are required to submit proposals to Government seeking funding for recurrent expenditure and capital initiatives.

2.14 Under current Treasury guidelines, agencies, in developing a business case for a recurrent expenditure initiative, are required to provide Government with a detailed understanding of an initiative's purpose, the business need, the emerging issues that the proposal will address, the outputs and outcomes to be achieved, how these will be measured, and suitable options for implementation.⁹

⁸ 2010-11 Budget Consultation Paper at <http://www.treasury.act.gov.au/budgetconsultation/>.

⁹ Treasury's *A Guide to Budget Development Process for ACT Government Agencies*, August 2007, page 14.

- 2.15 The capital initiative process is to capture funding proposals for:
- Capital Works Program (including new construction works and capital upgrades);
 - major plant and equipment; and
 - significant Information and Communication Technology (ICT) projects.
- 2.16 Agencies were required to develop full business cases for the high priority capital works proposals, focussing on planning of future projects, delivery of projects continuing from feasibility study/forward design phases to construction.

FUNDING FOR BUDGET INITIATIVES

- 2.17 To deliver its policy agenda and priorities, Government provided significant amounts of funding to agencies in the 2007-08 and 2008-09 budgets to meet their anticipated recurrent expenditure and capital initiatives requirements.
- 2.18 Table 2.2 on the following page summarises the appropriations for budget initiatives in 2007-08 and 2008-09 budgets.
- 2.19 Funding for budget initiatives in 2008-09 increased significantly by \$178.2 million (or 89.3 percent) compared to 2007-08. This reflects the Government's commitment to a major program of targeted capital expenditure in the Territory's infrastructure in the 2008-09 budget.
- 2.20 In the 2008-09 budget, the Government launched a five-year \$1 billion Building the Future Infrastructure Investment Program in the health system, transport system, urban amenities, climate change initiatives, public service infrastructure and capital works program.¹⁰

¹⁰ 2008-09 Budget Paper No. 2, *Ready for the Future*, p. 3.

Table 2.2: Total budget initiatives funded to agencies in 2007-08 and 2008-09

Initiatives	2007-08 \$'000	2008-09 \$'000
Recurrent Expenditure		
Net recurrent expenditure other than Health funding	23 181	89 410
Health funding	15 362	16 092
Sub-total	38 543	105 502
Agency funded initiatives	950	600
2 nd Appropriation	--	18 823
Total Recurrent Expenditure Initiatives	39 493	124 925
Capital		
Capital works	138 892	217 202
Plant and equipment	11 478	13 566
Information and Communication Technology	4 744	19 003
Agency funded capital initiatives	650	3 200
Other	4 400	--
Total Capital Initiatives	160 164	252 971
Total Recurrent Expenditure and Capital Initiatives	199 657	377 896

Source: 2007-08 Budget Paper No. 3 (Chapters 4 and 5) and 2008-09 Budget Paper No. 3 (Chapter 4) and No. 5 (Chapter 5)

3. DELIVERY OF RECURRENT INITIATIVES

INTRODUCTION

3.1 This Chapter assesses the results of the delivery of recurrent expenditure initiatives funded in the 2007-08 and 2008-09 budgets.

KEY FINDINGS

- Agencies adhered to the original scope of the budget proposals and delivered most of the selected recurrent initiatives within budgets but with some delays.
- Several of the audited agencies did not spend all of the funding provided for their recurrent initiatives within the budget years and 'rolled over' funds to the following years. For the initiatives selected for review, agencies spent 50.7 percent of the original budgets in 2007-08 and 69.2 percent in 2008-09. This represented an average underspending of 40.1 percent per annum during the years under review.

AGENCIES' IMPLEMENTATION OF RECURRENT INITIATIVES

3.2 In each budget year, the Government funds a number of recurrent expenditure initiatives to align with its strategic priorities and policy directions in the medium term. The 2008-09 budget provided \$105.5 million for recurrent funding, including \$16.1 million of new initiatives for the health portfolio. This represented an increase of \$66.9 million (or 173.3 percent), compared with the 2007-08 level of recurrent funding of \$38.6 million (of which \$15.4 million were for new health initiatives).¹¹

3.3 Audit selected ten recurrent funded initiatives in 2007-08 and 2008-09 for detailed examination. The results of the implementation of the selected recurrent initiatives by agencies are discussed below.

ACT Health

3.4 Table 3.1 summarises the results achieved for the selected recurrent expenditure initiatives implemented by ACT Health in 2008-09.

¹¹ 2007-08 Budget Paper No. 3, Chapter 4.2, page 59 and 2008-09 Budget Paper No. 3, Chapter 4.2, page 57.

Table 3.1: ACT Health - Implementation of selected recurrent initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Expansion of palliative care services	2008-09	78	78	Not Applicable	Yes	3.5
Scoping study for Primary Care Walk-in Centre	2008-09	150	126	Yes	Yes	3.6
GP Work in Canberra Campaign	2008-09	75	74	Yes	Yes	3.7
Total	2008-09	303	278	Note 1		
Note 1: Actual expenditure was 91.8% of the budget (8.2 % underspent) in 2008-09.						

Source: Audit Office

3.5 Funding for 'Expansion of Palliative Care Services' was provided to Clare Holland House (Calvary Public Hospital) for appointment of a Palliative Care / Aged Care Clinical Nurse for six months and to the ACT Palliative Care Society for employment of a part-time Aged Care Volunteer Coordinator. The planned deliverables were achieved.

3.6 Funding was provided for a scoping study into establishing extended hours for the 'Primary Care Walk-in Centre' to improve access to primary care for patients who required episodic, non-ongoing care for minor illness and injuries. A draft discussion paper was submitted to the Minister for Health in March 2009. The Government announced the operation of the first public nurse-led Walk-in Centre in the Canberra Hospital from 18 May 2010.¹²

3.7 The initiative for 'General Practitioners (GPs) Work in Canberra Campaign' was to fund the appointment of a part-time Marketing and Support Advisor. ACT Health ran a marketing campaign and advertising, in partnership with the ACT Division of General Practices, to attract more GPs to the ACT. During 2008-09, 11 new GPs were recruited.

Housing ACT

3.8 Table 3.2 outlines the results of the implementation by Housing ACT of recurrent initiatives selected in 2008-09.

¹² Media Release by the Minister for Health on 12 May 2010.

Table 3.2: Housing ACT - Implementation of selected recurrent initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Improving housing outcomes for children living in public housing	2008-09	110	110	Yes	Yes	3.9
Total	2008-09	110	110	Note 1		
Note 1 The total budget was expended in 2008-09.						

Source: Audit Office

3.9 The 'Improving Housing Outcomes for Children Living in Public Housing' initiative was to fund a study on the needs of children residing in public housing to ensure the accommodation provided meets the needs and circumstances of the children. A draft report titled 'Needs Analysis of Children Living in Public Housing' was completed in May 2009. Housing ACT advised Audit that further work was being undertaken to address the proposed policy and initiatives.

Department of Justice and Community Safety (JACS)

3.10 Table 3.3 outlines the results of the implementation by JACS of recurrent initiative selected in 2008-09.

Table 3.3: JACS - Implementation of selected recurrent initiative

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Additional funding for liquor regulation	2008-09	241	146	Not Applicable	Yes	3.11
Total	2008-09	241	146	Note 1		
Note 1: Actual expenditure was 60.6% of the budget (39.4 % underspent) in 2008-09.						

Source: Audit Office

3.11 The funding provided to the Office of Regulatory Services of JACS was to be used to recruit two additional inspectors as part of the Office's liquor regulatory regime, which was expected to assist in reducing alcohol related violence and anti-social behaviours. Audit considered that a structured implementation plan was not required to recruit staff under the *Public Sector Management Act 1994*. Two new liquor inspectors were recruited in September 2008.

Department of Territory and Municipal Services (TAMS)

3.12 Table 3.4 outlines the implementation by TAMS of the selected recurrent funded initiatives managed in 2007-08 and 2008-09.

Table 3.4: TAMS - Implementation of selected recurrent initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Implementation of Climate Change Strategy	2007-08	1 000	886	No	Yes	3.13
Energy Efficiency Fund	2007-08	1 000	128	No	On-going	3.14
Total	2007-08	2 000	1 014	Note 1		
Implementation of Climate Change Strategy - Urban Forest Replacement Program	2008-09	831	808	No	Partly	3.15
Additional Tree Plantings	2008-09	1 050	227	No	No	3.16
InTACT - Addressing ICT Skills Shortage	2008-09	669	648	Yes	Yes	3.17
Total	2008-09	2 550	1 683	Note 2		
Notes: 1 Actual expenditure was 50.7% of budget (49.3 % underspent) in 2007-08.						
2 Actual expenditure was 66.0% of budget (34.0 % underspent) in 2008-09.						

Source: Audit Office

3.13 Funding for the ‘Implementation of Climate Change Strategy’ initiative was to support the Government’s commitment to address the Climate Change Strategy and the first Action Plan for 2007-11. The proposal was to establish an Inter-departmental Committee to oversee the implementation of the ACT Climate Change Action Plan 2007-11. An Inter-Departmental Committee was established in October 2007 to oversee the implementation of the Strategy and Action Plan. The initiative was rolled over to 2008-09 and then transferred to the new Department of the Environment, Climate Change, Energy and Water (DECCEW) in November 2008.

3.14 The ‘Energy Efficiency Fund’ initiative was to provide funding for approved energy and water efficiency projects for Government buildings as part of the Government’s commitment to address climate change in the ACT. The Operating Framework and Application Forms were finalised in October 2007. In 2007-08, a total of \$128 000 was provided to the Canberra Institute of

Technology and the Canberra Stadium to undertake energy saving projects. The initiative was rolled over to 2008-09 and then transferred to DECCEW in November 2008.¹³

- 3.15 The 'Urban Forest Replacement Program' initiative was to fund Action 25 of the ACT Climate Change Strategy that monitored the programmed replacement and maintenance of Canberra's ageing and drought affected urban forest. The total budget included a 2nd Appropriation of \$100 000. During 2008-09, TAMS commissioned inventory audits of urban forests in selected suburbs in Canberra, and engaged consultants to develop the Communication Strategy for the project. A Gantt¹⁴ chart was developed commencing in September 2009 to monitor the progress of the Urban Forest Replacement project. The Tree Planting Program (budget \$250 000) was delayed until March 2010 when planting was commenced.
- 3.16 The 'Additional Tree Planting' initiative involved tree plantings at Lake Ginninderra, Lake Tuggeranong, Lake Burley Griffin, and Yerrabi Pond, to enhance the amenity and natural environment of these recreational areas. TAMS advised Audit that the Tree Planting Project was delayed primarily due to the requirement to obtain approval from the National Capital Authority; the project is planned to be completed by June 2010 and within budget.
- 3.17 The funding for 'InTACT's Addressing ICT Shortage' initiative was to expand a staged ICT Traineeship Programme targeting ACT college students in Years 11 and 12, to meet InTACT's recruitment needs for generalist ICT support staff at the Information Technology Officer Grade 1 level. InTACT graduated ten full-time trainees in December 2008, continued to train seven, and recruited another nine for commencement in July 2009. A further 14 part-time trainees commenced training in January 2008 and graduated in December 2008.

Summary of implementation results

- 3.18 Table 3.5 on the following page summarises the implementation results of the selected recurrent expenditure initiatives by agency.

¹³ Since November 2008, the Department of the Environment, Climate Change, Energy and Water (DECCEW) has managed 'The ACT Climate Change Strategy 2007-2025' and its first 'Action Plan 2007-2011' (refer http://www.environment.act.gov.au/climate_change/weathering_the_change)

¹⁴ A Gantt chart is a graphical representation of the chronological flow of a project including the sequence and duration of project activities.

Table 3.5: Results of agencies' implementation of recurrent initiatives

Agency	Budget year	No. of initiatives tested	Budget	Actual expenditure	Deliverables achieved	Deliverables not achieved
			\$'000	\$'000	No. of initiatives	
TAMS	2007-08	2	2 000	1 014	2 (1 on-going)	
Total	2007-08	2	2 000	1 014	Note 1	
Health	2008-09	3	303	278	3	
Housing	2008-09	1	110	110	1	
JACS	2008-09	1	241	146	1	
TAMS	2008-09	3	2 550	1 683	2 (1 partly)*	1
Total	2008-09	8	3 204	2 217	Note 2	
Notes: 1. Actual expenditure was 50.7% of the budget (underspent by 49.3%). 2. Actual expenditure was 69.2% of the budget (underspent by 30.8%). * One initiative was partly delivered.						

Source: Audit Office

Funding underspent

3.19 As shown in Table 3.5, for the selected initiatives reviewed by Audit, agencies underspent the original budget funding by 49.3 percent in 2007-08 and 30.8 percent in 2008-09.

3.20 The reasons for the underspent recurrent initiatives in 2007-08 and 2008-09 are discussed in Examples 3.1 and 3.2 respectively.

Example 3.1 – TAMS: Implementation of the Energy Efficiency Fund (EEF) [2007-08 recurrent initiative]

The Acting Minister for the Environment, Sustainability and Climate launched the Energy Efficiency Fund (EEF) in November 2007. The Government provided a capital injection of \$1 million in 2007-08 for approved energy and water efficiency projects undertaken on Government buildings as part of Government's commitment to address Climate Change in the ACT. Subject to a review and business case, the \$1 million loan fund would be used to facilitate energy efficiency improvement by ACT public sector agencies. Agencies would borrow funds from the EEF, and repay the Fund within three years. The savings made by agencies from the improvements would be used to repay the fund. This would support further improvements by other agencies.

The first round of applications commenced in January 2008. Three applications were received and approved by a panel comprised of representatives from TAMS, Treasury, and independent property and / or technology experts:

- two loans for \$113 000 were submitted by the Canberra Institute of Technology for replacing its electric hot water system with a solar hot water system and reticulating hot water from the co-generation plant to heat buildings, with total estimated carbon emissions savings of 57.3 tonnes per annum; and
- a \$15 000 loan to the Canberra Stadium to undertake a feasibility study on energy reduction solutions.

Audit comments

Since its inception in 2007, the take up rate of the EEF has been low, and the balance of the EEF was rolled over to 2008-09. No further applications for funding were received in 2008-09. The initiative was transferred from TAMS to DECCEW in August 2008. In December 2009, a new application from the National Convention Centre was received, seeking funding to install carbon monoxide monitoring, variable speed drives for the car park, and exhaust fans.

Audit found that the main barriers for agencies to express their interest in accessing the EEF for energy efficiency improvements were:

- a lack of awareness of the scheme by agencies;
- it was unclear to agencies whether the savings from energy efficiency improvements would be retained by them; and
- agencies were reluctant to borrow and pay the funds back when the funds could be sourced from the budget.

This budget initiative was to encourage energy and water efficiency projects. The implementation process did not appear to be well executed, with a low take-up rate and money not fully used for the purpose.

Example 3.2 – TAMS: Additional Tree Planting Projects [2008-09 recurrent initiative]

The Government provided \$1.05 million of funding to plant trees along the lakes areas including the Yarramundi Cycle Path, Weston Park, Black Mountain Peninsula, Lennox Gardens, Grevillea Park, Lake Ginninderra and Lake Tuggeranong. The expected completion date was June 2009. A Landscape Consultant was engaged in January 2009 to design, document and supervise the projects. The Consultant was required to undertake community consultations, including with the ACT Heritage Council, the National Capital Authority, and related associations and community groups. In June 2009, three landscaping construction contractors were engaged to undertake the constructions works for the projects, including tree planting, restoration and consolidation / maintenance tasks such as watering.

Audit comments

As at 30 June 2009, with total expenditure of \$227 000, the budget funding for this project was underspent by 78.4 percent. TAMS advised Audit that tree planting was delayed by the requirement to obtain approval from the National Capital Authority. The funding was rolled over to 2009-10, and is now planned for completion by June 2010 and within budget. Audit understood that delays in project implementation were also due to staff shortage within TAMS. Since August 2008, TAMS has employed a contracted Project Manager to manage the project.

The lack of effective planning and project management was a key factor contributing to the delay in this project.

CONCLUSION

- 3.21 In summary, the audited agencies had, in most cases, satisfactorily delivered the budget initiatives funded under the recurrent expenditure and in accordance with the budget proposal. However, not all funding was spent during the relevant budget years, and there were delays in completing several initiatives..
- 3.22 The two of the selected current initiatives, namely ‘Energy Efficiency Fund’ and ‘Additional Tree Planting’, had not yet achieved the results anticipated in the budgets.

4. DELIVERY OF CAPITAL INITIATIVES

INTRODUCTION

4.1 The capital initiatives process is to fund the proposals for Capital Works Program, major plant and equipment, and significant Information and Communication Technology (ICT) projects. This Chapter assesses the results of the delivery of capital initiatives funded in the 2007-08 and 2008-09 budgets.

KEY FINDINGS

- All selected capital works initiatives were implemented by agencies in accordance with the scope and objectives submitted in the budget proposals. However, nine of a total of twenty capital works projects reviewed (or 45 percent) were not completed on time and/or within budget.
- There were significant delays in completing many infrastructure and capital works projects.
- The reasons for delays in the implementation and completion of capital projects were numerous. Although some contributing factors were outside the agencies' control, the lack of effective planning and project management were the main reason affecting the delivery of many projects.
- Delays in completing projects could cause additional financial costs to the Territory and reduce the effectiveness of the Government overall budget strategy. In particular, these delays adversely affected the provision of specific infrastructure and services as announced in the Budgets, and expected by the community.
- Some agencies did not adopt effective project management methodology to assist with the implementation of budget initiatives.
- Due to the increased number of capital work initiatives, and staff shortages, some agencies decided at a late stage to employ contracted staff to manage the implementation of the budget initiatives.
- The apparent lack of capacity within the ACT public sector, both at the whole-of-government level and at the individual agency level, to manage and deliver a significant program of capital works announced in recent budgets increases the risks of the Territory not achieving value for money, appropriate quality of projects and the intended outcomes.

TERRITORY'S HISTORICAL EXPENDITURE

4.2 In its *Capital Works Report 2008-09 - Program Outcome* tabled in the Legislative Assembly in November 2009, Treasury reported that an unprecedented level of investment was made in the Territory's infrastructure in the 2008-09 Budget.¹⁵ Table 4.1 outlines the revised budget and actual expenditure of the Territory's Capital Works Program for 2007-08 and 2008-09.

¹⁵ Department of Treasury, *Capital Works Report 2008-09 – Program Outcome*, page 5.

Table 4.1: Capital Works Program expenditure 2007-08 and 2008-09

	2007-08	2008-09
	\$'000	\$'000
Revised budget (Note 1)	442 018	531 394
Full year expenditure	282 728	296 472
Funding unspent (rollovers / savings excluding accruals)	159 290	234 922
Percentage of expenditure against the revised budget	64.0%	55.8%
Underspending as a percentage of the revised budget	36.0%	44.2%
Note 1: Revised budget included supplementary appropriations and Commonwealth funding (excluding Housing capital works).		

Source: Treasury's *Capital Works Report 2008-09 – Program Outcome*, Table 1, page 6.

4.3 The annual budgeted financing for capital works was \$531.4 million in 2008-09, an increase of \$89.4 million (20.3 percent) compared to the funding in the 2007-08 budget of \$442.1 million. This was a result of the Government's commitment to 'significant investment in infrastructure in the future, with the aim of expanding available infrastructure to improve the productive capacity of the community, and provide certainty to industry and support jobs'.¹⁶

4.4 The level of underspending as a percentage of the revised budget increased from 36.0 percent in 2007-08 to 44.2 percent in 2008-09.

4.5 As shown in Table 4.2, the annual average level of underspending as a percentage of the budget was 42.8 percent from 2004-05 to 2008-09.

Table 4.2: Territory's Capital Work Program expenditure and underspending comparison (by year)

Budget year	Revised budget ¹	Actual expenditure	Expenditure against revised budget	Underspending against revised budget
	\$'000	\$'000	Percentage	Percentage
2008-09	531 394	296 472	55.8	44.2
2007-08	442 018	282 728	64.0	36.0
2006-07	352 275	218 069	61.9	38.1
2005-06	314 260	163 141	51.9	48.1
2004-05	247 016	129 029	52.2	47.8
Average over 5 years			57.2	42.8
Notes: 1 Revised budget included supplementary appropriations and Commonwealth funding (excluding Housing's capital works).				

Source: Audit Office based on Treasury's *Capital Works Report 2008-09 – Program Outcome*, Table 1, page 6.

¹⁶ ACT Treasury's comments - as quoted in the ACT Auditor-General's Report No 9 / 2009 titled *2008-09 Financial Audits*, December 2009, page 48 (paragraph 5.52).

AGENCIES' IMPLEMENTATION OF CAPITAL INITIATIVES

4.6 Audit selected 20 capital initiatives for examination. Details of the implementation results of the selected capital initiatives by agencies are summarised below.

ACT Health

4.7 Table 4.3 summarises the results achieved for the selected capital initiatives implemented by ACT Health in 2007-08.

Table 4.3: ACT Health - Implementation of selected capital initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Adult Mental Health Acute Inpatient Unit - Design	2007-08	2 290	200	Yes	No	4.8
High Security Mental Health Inpatient Unit - Design	2007-08	1 200	200	Yes	No	4.9
Neonatal Intensive Care Unit - Design	2007-08	795	195	Yes	No	4.10
Total (2007-08)		4 285	595	Note 1		
Note: 1 Actual expenditure was 13.9% of budget (86.1 % underspent) in 2007-08.						

Source: Audit Office

4.8 The initiative to design a 40 bed 'Adult Mental Health Acute Inpatient Unit' at The Canberra Hospital (TCH) was to replace the Hospital's existing facility. A consultant was engaged in May 2008. Changes in the project objective, a new model of care, site requirements, and extensive consultations with key stakeholders delayed this project until 2009-10, and the funding was rolled over. A draft design brief was completed in July 2009 and draft preliminary sketch plans were issued in September 2009. Total expenditure as at October 2009 was \$643 000.

4.9 The 'High Security Mental Health Inpatient Unit' initiative was to design a 15 bed high secure mental health unit at TCH. The Minister announced a new site for the unit at the former Quamby Youth Detention Centre in Symonston. Total expenditure as at October 2009 was \$278 000, well below the budgeted funding.

4.10 The project to design a 'Neonatal Intensive Care Unit' was rolled over due to changes in the redevelopment plan announced by Government. This included the construction of a new Women's and Children's Hospital (W&CH) in TCH. The forward design of the new Neonatal Intensive Care Unit has been incorporated in

Delivery of capital initiatives

the proposed W&CH project. The draft preliminary sketch plan was completed in June 2009. Total expenditure as at October 2009 was \$795 000.

Canberra Institute of Technology (CIT)

4.11 Table 4.4 summarises the results achieved for the selected capital initiatives funded to CIT in 2007-08 and 2008-09.

Table 4.4: CIT - Implementation of selected capital initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Weston Campus Relocation – Feasibility Study and Design	2007-08	1 000	365	Partly	Yes (with delay in financial completion)	4.12
Total	2007-08	1 000	365	Note 1		
CIT Reid Campus Master Plan - Feasibility Study	2008-09	400	27	No	Yes (with delay in financial completion)	4.13
Fyshwick Trade Skills Centre – Feasibility Study and Design	2008-09	500	451	Partly	Yes	4.14
New Horticulture Facility – Bruce Campus	2008-09	5 000	5 093	Partly	Yes	4.15
Plant and equipment – Technology and major equipment upgrade	2008-09	1 000	1 168	Not applicable	Yes	4.16
Total	2008-09	6 900	6 739	Note 2		
Notes: 1 Actual expenditure was 36.5% of budget (63.5 % underspent) in 2007-08. 2 Actual expenditure was 97.7% of budget (2.3 % underspent) in 2008-09.						

Source: Audit Office

4.12 The feasibility study and design of ‘Weston Campus Relocation’ was to fund the relocation of the Horticulture Facility at Weston Campus to Bruce Campus. The feasibility study was completed in January 2008 and construction commenced in

February 2008, although the final payment was delayed. Total expenditure was \$934 256.

- 4.13 The 'CIT Reid Campus Master Plan - Feasibility Study' initiative was to fund the redevelopment plan of Reid Campus. CIT engaged consultants to provide a feasibility study report in March 2009 outlining the financial feasibility for the Gateway Building (a commercial building) on the Reid Campus. CIT commissioned a study on possible approaches for new student accommodation facility and a car park on the Reid Campus. As at 30 June 2008, expenditure for the consultancy work was not yet finalised. Total expenditure as at 31 October 2009 was \$176 160.
- 4.14 The feasibility study and design of 'Fyshwick Trade Skills Centre' was completed in July 2009. Total expenditure as at 31 October 2009 was \$467 998.
- 4.15 The capital initiative for the 'New Horticulture Facility – Bruce Campus' was to fund construction of the new facility. An additional budget of \$4 million was funded to CIT in 2009-10. Total costs of the New Horticulture Facility project at Bruce Campus were \$12.74 million, of which \$9 million was funded by the ACT Government (\$4 million in 2008-09 and \$5 million in 2009-10). The remaining funding came from the Commonwealth (\$3.1 million) and CIT's own resource (\$0.64 million). The relocation project was completed in November 2009, ready for the new term in February 2010.
- 4.16 Funding for 'Plant and equipment – Technology and Major Equipment Upgrade' was requested by several faculties and amounted to \$1.2 million. The excess (\$116 000) was funded from CIT's own resource.

Department of Disability, Housing and Community Services (DHCS)

- 4.17 Table 4.5 on the following page summarises the results achieved for the selected capital initiatives implemented by DHCS in 2008-09.

Table 4.5: DHCS - Implementation of selected capital initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Belconnen Community Centre – Upgrade Heating and Air-conditioning Systems	2008-09	1 000	86	Partly	No	4.18
Establishment of Regional Community Facilities and Neighbourhood Halls	2008-09	7 089	3 970	Yes	Work-in-progress	4.19
Total	2008-09	8 089	4 056	Note 1		

Note: 1 Actual expenditure was 50.1% of budget (49.9 % underspent) in 2008-09.

Source: Audit Office

- 4.18 The completion of the ‘Belconnen Community Centre – Upgrade Heating and Air-conditioning Systems’ project was delayed from the expected completion date in January 2009 to January 2010. The cost of the project was estimated to be \$1.28 million compared to budget funding of \$1 million due to increased costs in equipment and supplies. DHCS did not prepare a consolidated implementation plan for the project. Audit noted, however, that the approved procurement plan, consultant’s report, and other documentation included many details needed for management of the project. DHCS advised Audit that the excess was funded from additional appropriation of \$200 000 allocated in 2008-09 and 2009-10.
- 4.19 The capital initiative for ‘Establishment of Regional Community Facilities and Neighbourhood Halls’ was a two-year project to fund the development of significant community infrastructure in response to consultation with the community on the future use of former school sites. The community infrastructure includes Regional Community Facilities that use the existing buildings at Cook, Melrose, and Weston to accommodate community organisations, and to develop nine Neighbourhood Halls for casual hire. Work planned for 2008-09 was delayed as a result of more detailed consultation and subsequent project changes, and the caretaker/election period slowed decision making. Funding of \$4 million from the 2008-09 budget was rolled over to 2009-10. Additional funding of \$4.2 million was appropriated in the 2009-10 budget, bringing the revised budget for the full project to \$27.25 million compared to the original budget of \$22.6 million funded in 2008-09. DHCS advised Audit that the project would be completed by the original timing of June 2010 and within the revised budget.

Housing ACT

4.20 Table 4.6 outlines the results of the implementation by Housing ACT of selected capital initiatives in 2007-08.

Table 4.6: Housing ACT - Implementation of selected capital initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Additional investments in public housing	2007-08	4 300	4 470	Not Applicable	Yes	4.21
Total	2007-08	4 300	4 470	Note 1		

Note: 1 The total budget was expended in 2007-08.

Source: Audit Office

4.21 The capital initiative for funding 'Additional Investments in Public Housing' was for acquisitions of public housing properties. Audit considered that a structured implementation plan was not required for this initiative since Housing ACT has established policies and procedures to manage regular asset acquisitions. A total of 14 properties were purchased for \$4.47 million in 2007-08. The excess of expenditure (\$170 000) was funded from Housing ACT's own resources.

Department of Justice and Community Safety (JACS)

4.22 Table 4.7 summarises the implementation results of two capital initiatives for installation of Closed Circuit Television (CCTV) projects for JACS in 2008-09.

Table 4.7: JACS - Implementation of selected capital initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
CCTV Project Phase 2	2008-09	1 797	912	Partly	No	4.23
CCTV Project Phase 3	2008-09	3 161	1 036	Partly	No	4.24
Total	2008-09	4 958	1 948	Note 1		

Note: 1 Actual expenditure was 39.3% of budget (60.7 % underspent) in 2008-09.

Source: Audit Office

4.23 The 'CCTV Project Phase 2' was planned to upgrade the Civic safety CCTV network, and to enhance infrastructure protection for Manuka Oval and Exhibition Park in Canberra in accordance with nationally agreed priorities for places of mass gathering. The CCTV Project was planned for completion by June 2009. JACS did not prepare an implementation plan for the project.

However, Audit noted that the approved Procurement Plan had many details for the effective management of the project. It took several months to establish a panel of suppliers for the ACT Government's CCTV systems, and this pushed back the completion date from June 2009 to December 2009. JACS advised Audit that the project was completed within the budget.

4.24 The 'CCTV Phase 3' project provided capital funding for the planning, design, development and installation of CCTV in the entertainment precincts of Manuka and Kingston, construction of an appropriate monitoring facility at the Winchester Police Centre site, and recurrent funding for the project implementation team. JACS did not prepare an implementation plan for the project and used the approved procurement plan, which included details such as the project objective, value of the projects, scope of works, funding and responsibilities of contractors. The project was also delayed due to the reasons outlined in paragraph 4.23. JACS advised Audit that the project was completed in December 2009 within the budget.

Department of Territory and Municipal Services (TAMS)

4.25 Table 4.8 summarises the implementation results of the selected capital initiatives managed by TAMS in 2007-08 and 2008-09.

Table 4.8: TAMS - Implementation of selected capital initiatives

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Government Offices Air-Conditioning Systems Upgrade and Chiller Replacement	2007-08	1 410	Nil	No	No	4.26
Lakeside Leisure Centre Refurbishment	2007-08	2 500	259	Yes	No	4.27
Canberra Olympic Pool - Replacement of Air Dome	2007-08	2 000	11	Yes	No	4.28
Renewable Energy Technology Showcase	2007-08	1 000	108	No	On-going	4.29
Total	2007-08	6 910	378	Note 1		

Initiatives	Budget year	Budget \$'000	Actual expenditure for the year \$'000	Plan prepared	Deliverables achieved in the budget year	Audit comment (see paragraph)
Establishment of Regional Community Facilities and Neighbourhood Halls	2008-09	2 000	53	No	Work-in Progress (One year delay in commencement)	4.30
Refurbishment of Albert Hall	2008-09	2 723	323	No	Work-in Progress (One year delay in commencement)	4.31
Energy Efficient Street Lights	2008-09	3 000	2 920	No	Yes	4.32
Total (2008-09)		7 723	3 296	Note 2		
Notes: 1 Actual expenditure was 5.5 % of budget (94.5 % underspent) in 2007-08. 2 Actual expenditure was 42.7 % of budget (57.3 % underspent) in 2008-09.						

Source: Audit Office

4.26 The 'Government Offices Air-Conditioning Systems Upgrade and Chiller Replacement' initiative was to fund three projects, including the replacement of air-conditioning chillers and the upgrade of systems at Woden Library and Shopfront; Dickson Motor Vehicle Registry; and Government offices at 255 Canberra Avenue, Fyshwick. No replacement work was carried out during 2007-08, and the budget was rolled over to 2008-09. The replacement project at Dickson Motor Vehicle Registry was commenced in late 2009 pending completion of other upgrade works. Both projects had been completed in December 2009. Total expenditure for these two replacement projects up to November 2009 was \$1.45 million. The replacement project at 255 Canberra Ave was not included in this replacement project, and incorporated as part of capital work initiative for Government Office Accommodation and Relocation Fit Out (budget \$5.27 million) in 2008-09. Audit found that there was no record to demonstrate that a written quotation was sought for the engagement of a consultant to undertake design work. No implementation plan was prepared.

4.27 The refurbishment project of 'Lakeside Leisure Centre' included retiling of the 50-metre pool, ventilation, air-conditioning, heating, roof improvements, ceiling rectification, and extensive paint work. Of the 2007-08 budget, \$1.5 million was rolled over to 2008-09. Further funding of \$1.5 million was provided in 2008-09. Total expenditure of the project was \$3.85 million against the total budget of \$4 million funded in 2007-08 and 2008-09. Work was completed in March 2009 instead of the planned completion date in September 2008, and with additional financial cost to the Territory.

4.28 Total expenditure on the project to replace the existing air support structure in the 'Canberra Olympic Pool' was \$1.94 million against the budget of \$2 million.

The project was completed in November 2008 instead of June 2008 as planned. This was caused by a roll-on effect due to the delays in Lakeside Leisure Centre Project (refer paragraph 4.27, and Example 4.1).

- 4.29 The 'Renewable Energy Technology Showcase' initiative involved the establishment of one or more renewable energy sites to showcase renewable energy technologies and to demonstrate their practical applications. These sites were intended to serve as a visible example of the Government's commitment to address climate change and its support for innovative solutions. During 2007-08, the expenditure incurred related to installation of high efficiency LED lights in Macarthur House (TAMS Head Office) car parks. Total expenditure as at November 2008 (when the initiative was transferred to DECCEW) was \$112 077. In late November 2008, 19 solar panels were installed on the roof of Tidbinbilla Visitors' Centre. In December 2009, a large scale solar system at the Canberra Stadium was completed. As at February 2010, total expenditure for Tidbinbilla Visitors' Centre and Canberra Stadium was \$0.5 million.
- 4.30 The 'Establishment of Regional Community Facilities and Neighbourhood Halls' initiative was to develop community infrastructure in response to the consultation with the community on the future use of former school sites. The community infrastructure includes Regional Community Facilities that use the existing buildings at Cook, Melrose and Weston to accommodate community organisations and the development of nine Neighbourhood Halls for casual hire. Funding of \$1.9 million was rolled over to 2009-10. The budget has been increased by \$0.4 million to \$2.4 million in 2009-10 due to the transfer of appropriation from Department of Housing, Disability and Community Services. TAMS advised Audit that the project would be completed by June 2010 and within budget.
- 4.31 The project of 'Refurbishment of Albert Hall' was delayed due to extensive community consultation and heritage requirements. A total of \$2.4 million of the budget was rolled over to 2009-10. An additional \$0.5m was funded in 2009-10. TAMS advised Audit that total estimated expenditure would be within the budget and that the completion date was revised from December 2009 to June 2010. Since December 2009, the project was transferred to the new Department of Land and Property Services.
- 4.32 The 'Energy Efficiency Lights' initiative was to fund the replacement of existing street lights with more efficient sodium and metal halide street lights. The program would improve commuter safety by delivering increased illumination levels, as well as reducing energy consumption by 2.8 million kilowatt hours per annum (equivalent to cutting 3000 tonnes of greenhouse gas emissions annually). As at 30 June 2009, 6 218 mercury lights (budget for replacements of 6 380 lights) were replaced by metal halide or high pressure sodium lights. The replacement project was completed on time and within budget. TAMS reported that the initiative has achieved the targeted energy savings.

Summary of implementation results

4.33 The implementation results of the selected capital initiatives are shown in Table 4.9.

Table 4.9: Results of agencies' implementation of capital initiatives

Agency	Budget year	Number of initiatives tested	Budget	Full year expenditure	Deliverables achieved	Deliverables not achieved
			\$'000	\$'000	Number of Initiatives	
CIT	2007-08	1	1 000	365	1	
Health	2007-08	3	4 285	595		3
Housing	2007-08	1	4300	*4 300	1	
TAMS	2007-08	4	6 910	378	1 (On-going)	3
Total	2007-08	9	16 495	5 638	Note 1	
CIT	2008-09	4	6 900	6 739	4	
DHCS	2008-09	2	8 089	4 056	1 (WIP)	1
JACS	2008-09	2	4 958	1 948		2
TAMS	2008-09	3	7 723	3 296	3 (2 WIP)	
Total	2008-09	11	27 670	16 039	Note 2	
<p>Notes: 1 Actual expenditure represented 35.2% of the budget (or underspent by 64.8%). 2 Actual expenditure represented 58.0% of the budget (or underspent by 42%). * Total expenditure was \$4.47 million of which \$0.47 million were funded by Housing ACT WIP - Work-in-progress referred to the multi-years projects.</p>						

Source: Audit Office

4.34 Based on the sampled capital initiatives, nine (or 45 percent) of the twenty selected initiatives have not achieved the planned deliverables on time and / or within budget. Table 4.9 shows that:

- in 2007-08, six out of nine initiatives reviewed did not achieve the deliverables;
- in 2008-09, three out of eleven initiatives selected did not achieve the deliverables; and
- three initiatives funded in 2008-09, were two-year projects funded in 2008-09 and are still in progress. The agencies advised Audit that these projects would be completed by June 2010 and within budget,

Funding underspent

4.35 Table 4.10 compares the level of underspending against the budget of the selected capital initiatives with the ACT total during the years under review. The average percentage of expenditure underspent of the selected initiatives (53.4 percent) was higher than the ACT average total (40.1 percent).

Table 4.10: Underspending of budgets (percentage) - Sampled results of capital initiatives compared with ACT total

Financial year	Selected initiatives (Note 1)	ACT total (Note 2)
Underspending against Budget (%)		
2008-09	42.0	44.2
2007-08	64.8	36.0
Average Total	53.4	40.1
<p>Notes: 1 Sampled results as per Table 4.9 (Notes 1 and 2). 2 ACT total as per As shown in Table 4.2, the annual average level of underspending as a percentage of the budget was 42.8 percent from 2004-05 to 2008-09. Table 4.2 (underspending against revised budget).</p>		

Source: Audit Office

4.36 Examples 4.1 to 4.3 summarise the typical causes for delays in the delivery of the capital works initiatives funded in 2007-08 and 2008-09. Funds available for these initiatives were rolled over, and some of the initiatives were completed late, in 2009-10.

Example 4.1 – TAMS: Implementation of 2007-08 capital initiatives

The following capital initiatives were implemented by TAMS in 2007-08.

- Funding of \$1.41 million was provided for the installation of air-conditioning chillers and upgrading systems at Woden Library and Shopfront, Dickson Motor Vehicle Registry, and Government offices at 255 Canberra Avenue Fyshwick. These projects were not implemented during 2007-08, and rolled over into forward years. The replacement project at Woden Library and Shopfront was delayed due to a requirement to obtain approval from the ACT Heritage Council because the property was notified for heritage listing in August 2008. The replacement project at Dickson Motor Vehicle Registry was delayed until late 2009 pending completion of other upgrade works. Both projects were completed in December 2009. Total expenditure for these two replacement projects to November 2009 was \$1.45 million. The replacement project at 255 Canberra Ave was not commenced during the year due to uncertainty of accommodation requirements by JACS (Office of Regulatory Services).
- The refurbishment project of Lakeside Leisure Centre (LLC) was delayed because suitable replacement tiles for the 50-metre pool had to be shipped from Germany (not available in Australia). Of the 2007-08 budget, \$1.5 million was rolled over to 2008-09. Total expenditure on the project was \$3.85 million against the total budget of \$4 million funded in 2007-08 and 2008-09. Work was completed in March 2009 instead of September 2008.
- The replacement of the existing air support structure in the Canberra Olympic Pool (COP) (Budget \$2 million) was completed in November 2008 instead of June 2008 as planned. Total expenditure on the project was \$1.94 million. Completion was delayed due to the roll-on effect caused by delays in the Lakeside Leisure Centre Project.

Audit comments

Audit noted that these capital projects were partly delayed due to events that should have been anticipated and planned for. More effective planning could have mitigated the delays caused by the heritage notification of Woden Library and Shopfront and the requirement for sourcing replacement tiles from overseas in the Lakeside Leisure Centre.¹⁷

Audit noted that delays in the completion of the Lakeside Leisure Centre and Canberra Olympic Pool projects resulted in financial compensation to the pool management (a private company managed these pools on behalf of the ACT Government) of around \$300 000. Funding for compensation payments was met from TAMS' budget. Delays in the completion of the Lakeside Leisure Centre project by approximately three months impacted on the delivery of services to the communities.

¹⁷ *Tasmanian Government Project Management Guidelines* Version 6, March 2005, page 3.

Example 4.2 – DHCS: Implementation of 2008-09 capital initiatives

The upgrade of heating and air-conditioning systems at Belconnen Community Centre funded in 2008-09 (budget \$1 million) was delayed by a year from the expected completion date in January 2009 to January 2010. Audit noted that, although DHCS had engaged a consultant to design and supervise the works in August 2008, the project was significantly delayed due to:

- prolonged search for building drawings through other agencies and past builders' records;
- a requirement to undertake an energy audit to identify actual requirements and energy savings to determine suitable equipment to be installed; and
- alternative equipment design and configuration carried out by the consultant in the absence of existing structural documentation for the building.

At the time of this audit, the cost of the project was estimated to be \$1.28 million (28 percent higher than the funding approved) as a result of increased costs of equipment, supplies and additional building structures. DHCS advised Audit the excess was funded from savings in other capital works project.

Audit comments

Delays in the project led to increased costs and extended the completion date. Audit noted that DHCS, due to staff turnover, had subsequently engaged a contracted Project Manager seconded from ACT Procurement Solutions to assist with the management of their projects.

Example 4.3 – JACS: Implementation of 2008-09 capital initiatives

The Government funded the installation of the following Closed Circuit Television (CCTV) systems:

- Phase 2 - upgrade of the Civic safety CCTV network, and enhanced infrastructure protection for Manuka Oval and Exhibition Park in Canberra (Budget \$1.80 million); and
- Phase 3 - installation of the CCTV systems in the entertainment precincts of Manuka and Kingston and the construction of an appropriate monitoring facility at the Winchester Police Centre (CCTV Monitoring Centre) site (Budget \$3.16 million).

Due to increased demand for CCTV systems by other agencies, ACT Procurement Solutions convened an open panel-suppliers tender. Although this caused delays for JACS projects, it was expected to provide quicker and cost-effective services in the future to other agencies requiring CCTV systems.

The change in design of the Monitoring Centre at the Winchester Police Station by ACT Policing delayed implementation of the project. JACS advised Audit that the projects were completed in December 2009 and within budget.

Audit comments

These projects were delayed due to extended procurement processes and the change of technical requirements by ACT Policing for the Monitoring Centre. Audit considered the establishment of the open panel suppliers for the purchasing of CCTV systems was a positive initiative as it should reduce time and costs for future CCTV projects.

Better practice

- 4.37 As previously discussed, nine of the twenty selected capital initiatives did not achieve the planned deliverables on time and/or within budget. Eight initiatives (excluding the work-in-progress projects) have been delivered on time and within budget. Example 4.4 illustrates an example of a successful project.

Example 4.4 - Good practice project management and environmental considerations

Canberra Institute of Technology

Canberra Institute of Technology (CIT) managed the relocation of its horticulture training facilities at Weston Campus to Bruce Campus by:

- undertaking a feasibility study and design in 2007-08 (Budget \$1 million and total expenditure \$934 256); and
- constructing the new facilities at the Bruce Campus in 2008-09 (Budget \$5 million). An additional budget of \$4 million was funded in 2009-10 for the completion of the project. Total costs of the New Horticulture Facility project at Bruce Campus were \$12.74 million of which \$9 million was funded by the ACT Government. The remaining funding came from the Commonwealth (\$3.1 million) and CIT's own resource (\$0.64 million).

During the feasibility and design phase, CIT consulted various stakeholders, including staff, students, industry, professional bodies, and other organisations. Comments provided were considered in the design of the new facilities.

CIT employed a contracted Project Manager to manage these complex relocation projects. A Gantt chart was developed and used to monitor the performance and progress of the construction project. These two projects were completed on time and within budget.

The new facilities at Bruce Campus aimed to showcase energy efficiency building design, sustainable horticultural practices, and best practice in sustainable landscape design. The project has significant environmental considerations in its design features, including low energy consumption, low potable water use, zero waste to landfill, landscape and revegetation, and improved greenhouse operations.

Audit comments

The relocation project was complex and required an integrated approach to the project management of the various activities and processes. The project was completed in November 2009 and was ready for the new term in February 2010 in accordance with the planned timeframe. Although there was no comprehensive project plan developed for the project, Audit considered that a sound project management approach was used, including robust risk management and stakeholder management, which contributed to the achievement of the planned outcomes.

Lessons learnt

- 4.38 There were various reasons for delays in capital project implementations or completion of the projects on time and within budget. Audit noted that some events, such as the ability of the suppliers to deliver the project requirements and unforeseen technical issues, are to some extent beyond the agencies' control. Delays in delivery of projects would result in additional financial costs to the Territory and adversely affected the delivery of anticipated services to the

communities as announced in the budgets, for example, the refurbishment project of Lakeside Leisure Centre discussed in Example 4.2.

- 4.39 A number of studies indicated that a high level of projects failed to deliver on time, on budget and to the quality of performance expected and that some of the failures were attributed to poor estimation of timeframe, resources and inadequate risk identification and management. These could be addressed by the application of appropriate project management tools and techniques.¹⁸
- 4.40 Audit noted that not all agencies have adopted a formalised project management approach to manage the implementation of the budget initiatives. Audit examination of the selected budget initiatives indicated that some of the issues and associated risks in project implementation would have been minimised if effective project management methodology has been adopted and implemented.
- 4.41 The total value of new capital initiatives was \$928.5 million in the 2009-10 budget over four years,¹⁹ and was \$394 million over four years in 2010-11 budget.²⁰ With increased funding in the Capital Works Program by Government in recent years, appropriate strategies and actions need to be taken by agencies to enhance the overall management of budget initiatives.
- 4.42 The Government has committed to significant investment in infrastructure in the future, with the aim of expanding available infrastructure to, amongst other things, improve the productive capacity of the community. There is a risk that these aims may not be achieved due to the inability of the agencies to deliver capital work programs in a timely manner.
- 4.43 There is a need for the Government to assess the capacity and ability, either at whole of government or individual agency levels, to deliver the capital work program as planned in the budget. This issue has significant implications for the achievement of the overall budget strategy and the Government priorities and outcomes.

Recommendation 1

Agencies should adopt a formalised project management framework to manage the implementation of budget initiatives.

Project management resources and skills

- 4.44 Several agencies, including CIT, DHCS, and TAMS advised Audit that contracted staff had to be engaged to manage implementation of the selected initiatives due to staff and skill shortages. The lack of in-house experienced project management staff, and the late decisions to engage external assistance in

¹⁸ *Tasmanian Government Project Management Guidelines* Version 6, March 2005, page 3.

¹⁹ 2009-10 Budget Paper No. 5, page 39.

²⁰ 2010-11 Budget Paper No. 3, page 106.

some cases have affected the ability of some agencies to deliver the initiatives on time and within budget.

- 4.45 Some agencies provided their staff with formal training in project management, while others were planning to do so. For example, JACS advised Audit that formal project management training will be offered to all project staff to assist in managing the increased number of major capital works projects being undertaken by JACS.
- 4.46 To manage and deliver an increasing number of complex capital works, agencies should identify the need for project management at an early stage and put in place relevant strategies and actions to meet this need, including addressing skill shortages in project management or to engage external services.
- 4.47 In brief, agencies should allocate appropriate resources and experienced staff to manage the major infrastructure projects, to ensure the implementation of the capital projects on time, within budgets and at an acceptable level of quality.
- 4.48 The initiatives that have been managed successfully, such as the feasibility study, design and relocation of horticulture facilities to the Bruce Campus managed by the CIT (refer Example 4.5), reflected the importance of having good planning, and dedicated resources (human and financial) assigned to the projects.

Recommendation 2

Agencies should:

- identify early the skills and expertises required to manage budget funded projects;
- provide appropriate training to project management staff; and
- allocate staff specifically to the project management aspects of large capital projects.

CONCLUSION

- 4.49 Most capital initiatives reviewed were not managed effectively to deliver the projects on time and/or within budget. To successfully implement the funded initiatives, agencies should enhance overall management of the projects by adopting a formalised project management framework, providing training to staff in project management, and allocating appropriate resources to the projects.

5. IMPLEMENTATION PROCESS FOR BUDGET INITIATIVES

INTRODUCTION

- 5.1 This Chapter discusses the effectiveness of the implementation process adopted by agencies to deliver the selected budget initiatives, including planning, monitoring and reporting of the performance.

KEY FINDINGS

- Four of ten selected recurrent initiatives were not supported by a structured implementation plan.
- Seven of twenty capital initiatives reviewed were not supported by a project implementation plan.
- The planning for the implementation of several budget initiatives was inadequate, and as a result, some agencies made ad-hoc decisions to react to problems as they arose.
- Monitoring and reporting of project performance by agencies was generally satisfactory.
- Several of the audited agencies did not have post-implementation reviews of the completed projects.
- There is further scope for improvement in monitoring, reviewing, and reporting on the agreed outcomes of projects during and after the implementation. In particular, key lessons learnt can make a significant contribution to the delivery of successful projects in the future.

IMPLEMENTATION PLANNING

Integrated project management processes

- 5.2 Project management is defined as the application of knowledge, skills, tools, and techniques to manage project activities and to meet project requirements.²¹ It is an integrated process requiring that each project activity be appropriately aligned and connected with other processes to facilitate coordination and to meet agreed outcomes.

- 5.3 For a project to be successful, a project team must:
- select appropriate processes to meet the project objectives or intended outcomes;
 - use a defined approach to meet the project objectives;
 - understand the requirements, needs and expectations of stakeholders; and

²¹ American Project Management Institute, *A guide to the Project Management Body of Knowledge (PMBOK Guide)*, Fourth Edition, page 37.

- balance the competing demands of scope, time, cost, quality, resources, and risk to produce the specified product , service, or result.²²
- 5.4 Better Practice and Guidelines issued by various organisations, such as Australian National Audit Office (ANAO),²³ Tasmanian Government,²⁴ and Project Management Institute,²⁵ suggest that effective implementation planning is a critical factor contributing to an organisation’s ability to successfully implement a project.
- 5.5 This guidance indicates that the effective management of projects and initiatives, requires:
- systematic and structured implementation plans, that are scalable and flexible. These plans should have sufficient details, including key matters such as timeframe, phases of implementation, procurement strategy, risk management, roles and responsibilities, resources, stakeholder management, monitoring, and evaluation;
 - a project management or implementation plan to be developed for all projects. For small projects, a brief project plan outlining each of the above mentioned elements may be adequate. For large and/or complex projects, the plan should provide full details; and
 - the plans to be reviewed and updated reflecting any approved changes. Updates of the plan and related documents provide greater certainty and accurate information with respect to schedule, costs, and resource requirements to meet the defined project scope.
- 5.6 Planning is the first stage of project management. It identifies the requirements for the implementation phase of a project or initiative. Without robust planning the chances of implementing a successful project that reflects the budget outcomes and stakeholders’ expectations is reduced.

Implementation planning of recurrent initiatives

- 5.7 Audit reviewed the selected initiatives to assess whether agencies had a systematic or structured implementation plan to support the effective implementation of the initiatives, and the results are in Table 5.1 below.
- 5.8 Audit found that four of the ten recurrent initiatives (or 40 percent) selected for review in 2007-08 and 2008-09 did not have appropriate implementation or a project management plan to assist the effective management of the projects. Details of the findings by agency are outlined in Chapters 2 and 3.

²² American Project Management Institute, *A Guide to the Project Management Body of Knowledge (PMBOK Guide)*, Fourth Edition, page 37.

²³ ANAO Better Practice Guide titled *Implementation of Programme and Policy Initiatives*, October 2006.

²⁴ Department of Premier and Cabinet titled *Tasmania Government Project Management Guidelines*, Version 6.0 – March 2005 (revised in 2006).

²⁵ American Project Management Institute, *A Guide to the Project Management Body of Knowledge (PMBOK Guide)*, Fourth Edition.

Table 5.1: Development of implementation plans for recurrent initiatives

Agency	Budget year	Number of initiatives tested	Plan developed		
			Yes	No	Not applicable
TAMS	2007-08	2		2	
Health	2008-09	3	3		
Housing	2008-09	1	1		
JACS	2008-09	1			1 ¹
TAMS	2008-09	3	1	2	
Total		10	5	4	1

Note: 1 The initiative funded to the Office of Regulatory Services was for recruitment of two additional liquor inspectors to undertake regulatory activities. A specific plan is considered not applicable since standard public sector recruitment policies and procedures are in place.

Source: Audit Office

5.9 Audit noted that ACT Health and ACT Housing showed good practice in developing and approving project or implementation plans for recurrent initiatives.

Implementation planning of capital initiatives

5.10 Table 5.2 outlines the results of the reviews of twenty capital projects selected in 2007-08 and 2008-09. Details of individual projects with or without an implementation plan are outlined in Chapter 3.

Table 5.2: Development of implementation plans for capital initiatives

Agency	Budget year	Number of initiatives tested	Plan developed		
			Yes	No	Not applicable
CIT	2007-08	1	1		
Health	2007-08	3	3		
Housing	2007-08	1			1 ¹
TAMS	2007-08	4	2	2	
CIT	2008-09	4	1	2	1 ²
DHCS	2008-09	2	2 (1 partly)		
JACS	2008-09	2	2 (partly)		
TAMS	2008-09	3		3	
Total		20	11	7	2

Implementation process for budget initiatives

Agency	Budget year	Number of initiatives tested	Plan developed
<p>Notes:</p> <p>1 The initiative funded to ACT Housing was for acquisition of public housing. A specific project plan was not required since ACT Housing has established policies and procedures to manage its regular acquisitions.</p> <p>2 The initiative funded to CIT was for acquisition of plant and equipment. A project plan was not required since CIT had established processes to approve the request for funding by individual schools.</p>			

Source: Audit Office

Better practice

- 5.11 Audit noted that many of the budget initiatives reviewed that were delivered on time and / or within budget (discussed in Chapters 3 and 4) were supported by a plan. Systematic and structured implementation planning reduces the risk of delays and the failure to achieve the intended outcomes.
- 5.12 A project management or implementation plan will document the actions necessary to define, prepare, integrate, and coordinate all subsidiary plans. This plan becomes the primary source of information of how the project will be planned, monitored, controlled, and closed. The early stages of the project can be the most crucial for later project success.

Recommendation 3

Agencies should:

- develop, for each project, an implementation plan, appropriate to the size and complexity of the project; and
- include in the implementation plan sufficient details to allow adequate monitoring, including timeframe, phases of implementation, procurement strategy, roles and responsibilities, resources, stakeholder management, monitoring and evaluation.

MONITORING AND PERFORMANCE REPORTING

Monitoring and reporting

- 5.13 Regardless of the size and complexity of the budget initiative or project, a measurement of project success against well-defined criteria is necessary for accountability and performance management.
- 5.14 Better practice guidance indicates that effective monitoring and review of project implementation enables agencies to ensure adequate resources continue to be available to manage the scope, risk and complexity of the implementation. It also enables agencies to monitor and report about the implementation progress, identify and address problems including risks and review the ongoing project

activities against the project management plan and the project performance baseline.²⁶

Effectiveness of monitoring and performance reporting

- 5.15 In respect of recurrent initiatives, agencies' project teams reported progress on their monthly reports to senior executives or a steering committee.
- 5.16 In managing its 2008-09 recurrent initiative in relation to a study of 'Improving Housing Outcomes for Children Living in Public Housing', Housing ACT established a Steering Committee headed by an Executive Director to monitor the progress of and provide directions to the study, including approving an implementation plan developed during the early stage of the project. Audit considered this represented good practice.
- 5.17 At a project level, for large and complex capital projects, agencies usually established a Project Control Group or Committee to monitor the performance of the project. Regular meetings were usually held on weekly, fortnightly, or monthly basis and attended by agency's project officer or senior management, representatives from ACT Procurement Solutions and the external Project Managers/Supervisors. The Committee discussed and monitored issues regarding the progress of the project and financial performance. Agencies maintained records of the meetings.
- 5.18 Audit reviewed committee meeting records of a sample of selected capital projects and noted that agencies properly maintained these performance records.
- 5.19 At agency level, monthly budget reports (recurrent and capital) were submitted to the agency's Finance and Performance Committee or equivalent attended by senior executives.²⁷ The Committee monitored and reviewed the progress of the recurrent and capital initiatives against budget and timelines.
- 5.20 ACT Health has a sound governance structure to manage and monitor its infrastructure (property and equipment) as well as plans for future replacement of capital assets. A Redevelopment Committee was established in 2008-09 to oversee the implementation of the Capital Asset Development Plan and other capital works projects in ACT Health. The Committee comprises representatives from ACT Health, the Chief Minister's Department, Treasury, ACT Procurement Solutions, Government Solicitor's Office and consumers (community).²⁸
- 5.21 For each major capital project implemented by ACT Health, there is a steering committee or reference group to consult various stakeholders and decide on any action required for the project design etc. An Implementation Committee, which

²⁶ ANAO Better Practice Guide titled *Implementation of Programme and Policy Initiatives*, October 2006, page 51.

²⁷ Each audited agency has a similar governance framework involving a Finance Committee led by senior executives to monitor the financial and operational performance of the organisation. The title of the Committee differs among agencies; for example, TAMS' Strategic Finance Committee, JACS' Finance Committee, and ACT Health's Finance and Performance Committee.

²⁸ ACT Health 2008-09 Annual Report, page 178.

is the executive working group for the Redevelopment Committee, is responsible for overseeing day-to-day implementation of the Capital Asset Development Plan.

- 5.22 Audit reviewed agencies' monthly budget initiative reports (recurrent and capital) of the selected initiatives and noted that adequate information was included in these reports, including financial information and the status of the projects. However, agencies may not have up-to-date costs to monitor expenditure of the projects. Audit discussions with several agencies noted the actual expenditure reported in these reports did not include any outstanding claims for payments being processed by ACT Procurement Solutions. Processing of these outstanding claims could be delayed by up to two months. This could increase the risks of on-going projects having cost overruns, without timely action from agencies to review and resolve any potential problems.
- 5.23 Audit noted that agencies usually used budget and target timelines for final completion as baseline measurements to monitor the performance of the projects. Better practice suggests other measurements and information, for example milestones, realisation of project objectives and up-to-date expenditure, would assist agencies to have more timely and reliable information to support on-going assessment of progress and risks. This information may support informed decision making about whether an initiative is still achievable, or whether its scope, timing, or resourcing need to be reviewed.²⁹
- 5.24 Audit did not find any record of post-implementation reviews of the completed projects. Project performance reviews during and after implementation can assist in determining the extent to which the adopted implementation approach contributed to achieving project objectives. Key lessons learnt from previous projects can make a significant contribution to the successful delivery of projects.³⁰

Recommendation 4

Agencies should:

- review their existing performance reporting systems to improve the monitoring and reporting of project performance, especially against project milestones; and
- undertake and document post-implementation reviews of projects to identify any lessons learnt that may assist in the delivery of future initiatives.

CONCLUSION

- 5.25 A large percentage of the recurrent and capital initiatives reviewed (36.7 percent) did not have approved implementation plans to assist the effective implementation of the initiatives.

²⁹ ANAO Better Practice Guide titled *Implementation of Programme and Policy Initiatives*, October 2006, Chapter 5.

³⁰ Tasmanian Department of Premier and Cabinet, *Tasmania Government Project Management Guidelines*, Version 6.0 – March 2005 (revised in 2006), Chapter 11.

- 5.26 Managing initiatives effectively on time, within budget, and with intended objectives requires a disciplined process in the planning, organising, monitoring and controlling all aspects of a project, including the application of skills, tools, and technique, and the balancing of competing demands of product or service specifications, time and cost.³¹
- 5.27 All agencies need to put these processes in place to better manage their budget initiatives. Given the significant expenditure programs announced in recent budgets, it is important that the ACT community has the confidence that the Government can implement its overall budget strategy and priorities through the timely and efficient delivery of budget initiatives.

³¹ Dobie, Colin, *A handbook of Project Management*, Allen & Urwin, 2007, page 10.

APPENDIX A: AUDIT CRITERIA, APPROACH AND METHODOLOGY

AUDIT CRITERIA

The Audit assessed the implementation of the selected budget initiatives by the audited agencies (refer paragraph 1.7) through audit criteria based on, but not limited to, *implementation of initiatives* and *performance monitoring and reporting*:

Implementation of initiatives

- Agencies have developed a systematic and structured implementation plan appropriate to the size and nature of the initiatives.
- The implementation plan provides sufficient details, including matters such as timeframe, phases of implementation, roles and responsibilities, resources, monitoring and evaluation, for the effective implementation of an initiative.
- Agencies have managed the implementation of an initiative effectively, delivered the initiatives and achieved the intended outcomes in accordance with the budget proposal – on time and within budget.

Performance monitoring and reporting

- Agencies' information and data are accurate and reliable for performance and progress reporting.
- Agencies have effectively monitored and reviewed progress on key deliverables.
- Agencies consider any lessons learnt for improvement of future project management.

AUDIT APPROACH AND METHODOLOGY

The audit approach and methodology consisted of:

- interviews and discussions with key staff at the selected agencies/departments and other stakeholders, including Treasury staff;
- review of relevant information and documentation relating to the budget initiatives selected for audit, including budget documents and proposals, initiative or project concept briefs, business case and other supporting documentation, for example cost-benefit analysis;
- examination of reports to Treasury by agencies/departments;
- analysis of agencies' reported performance against the targets and planned outcomes as per the budget proposals;
- identification of potential areas for improvement by comparing with better practices, such as ANAO's Better Practice Guide, Tasmanian Government Project Management Guidelines and a Guide to the Project Management

Body of Knowledge (PMBOK Guide) issued by American Project Management Institute; and

- briefings, interviews, and correspondence with relevant agency staff.

Sampling

A sample of 30 recurrent and capital expenditure initiatives was selected across the audited agencies in 2007-08 and 2008-09 for detailed examination using the above-mentioned audit criteria and test programs.

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