



Auditor-General for Australia



31 October 2019

Senator Glenn Sterle

Chair

Rural and Regional Affairs and Transport References Committee

By email: rrat.sen@aph.gov.au

Dear Senator Sterle

Management of the Inland Rail project by the Australian Rail Track Corporation and the Commonwealth Government

The Australian National Audit Office (ANAO) has published the following performance audit report that you may find relevant to the inquiry into the management of the Inland Rail project by the Australian Rail Track Corporation and the Commonwealth Government.

- Report No.9 of 2017–18 [*Management of the Pre-construction Phase of the Inland Rail Programme*](#)

Information about what this audit assessed, concluded and recommended is attached. The audit report is available online at www.anao.gov.au.

Should the Committee require further information in relation to this matter, my office would be pleased to provide you with a briefing at a time convenient to you or appear as a witness at a hearing.

To arrange a briefing, please contact our External Relations area

Yours sincerely

Grant Hehir

Report No. 9 of 2017-18 *Management of the Pre-construction Phase of the Inland Rail Programme*

assessed whether value for money was being delivered by the Australian Rail Track Corporation's (ARTC's) management of the pre-construction phase of the Inland Rail programme. To form a conclusion against the audit objective the Australian National Audit Office examined whether:

- governance arrangements were appropriate, and administration of grant funding was effective; and
- the ARTC's procurement activities provided value for money and were supported by Information and Communications Technology systems and appropriate policies and procedures.

The audit concluded:

- In managing the pre-construction phase of the Inland Rail programme, the ARTC could have had a greater focus on achieving value for money in procurement activities. The ARTC identified the need to improve existing business functions and procurement practices throughout the pre-construction phase, and commenced initiatives to strengthen administration. These initiatives need to be fully implemented to support the ARTC in effectively managing the full Inland Rail programme in coming years and delivering value for money.
- Governance arrangements for the pre-construction phase of the Inland Rail programme were appropriate, although there was not timely implementation of the Minister's decision that a funding agreement be developed between the Department of Infrastructure and Regional Development and the Australian Rail Track Corporation. The Australian Government's longer term intent with regard to the delivery and full construction of the Inland Rail was appropriately considered, including through the administration of grant funding. There could have been more emphasis on achieving value for money in procurement and contracting activities, including for the ARTC's contracting of staff for the programme, and improved planning for the leasing of property.
- Testing of a sample of 54 procurements for the Inland Rail programme found a lack of consideration given to competition in the early phase of the programme, where a considerable proportion of procurements (17 per cent of the sample) were sole sourced. Procurement activities improved during the sampling period, as new systems, processes and practices were implemented. The ARTC's established Information and Communications Technology (ICT) systems and procurement and document management processes and practices were well short of the needs of the Inland Rail programme. The ARTC is further reviewing its procurement policies and procedures and supporting business functions for the full construction of Inland Rail.

The ANAO recommended:

- To improve the management of risk, the ARTC accelerates the implementation of a fit-for-purpose risk management system for the Inland Rail programme.
- To improve records management, the ARTC:
 - a. revisits the scope and timeline of the Electronic Content Management review to incorporate the Inland Rail programme; and
 - b. reviews and updates its records management policies and procedures.
- To support transparency and value for money in contracting arrangements for the construction of the Inland Rail, the ARTC:

- a. develops and implements policies and procedures that have suitable regard to Commonwealth procurement and contract management standards, recognising that the company is not bound by the Commonwealth Procurement Rules;
- b. implements full functionality and controls available in procurement and contract management systems modules; and
- c. monitors performance in procurement and contract management through increased internal audit activity and / or the implementation of a quality assurance process.