



Management of the Pre-construction Phase of the Inland Rail Programme

Audit Report No.9 2017–18

Opening Statement by Auditor-General

JCPAA Review 16 February 2018

1. Good morning Chairman and committee members.
2. The ANAO's performance audit of the *Management of the Pre-construction Phase of the Inland Rail Programme* was the first in a set of audits examining aspects of the performance of a government business enterprise, and was conducted in response to a request from the Joint Committee of Public Accounts and Audit (JCPAA).
3. The audit concluded that the Australian Rail Track Corporation (ARTC) could have had a greater focus on achieving value for money in procurement activities.
4. Analysis of a sample of ARTC procurements found that there could have been greater competition in the selection processes, particularly in the earlier stages of the pre-construction phase prior to July 2015, where a considerable proportion of procurements (17 per cent of the sample or 39 per cent to that date) were sole sourced. As I have discussed previously, competitive pressures support entities to demonstrate probity and value for money outcomes, and are relevant to government business enterprises, such as the ARTC, which are not subject to the Commonwealth Procurement Rules.

5. The ANAO's analysis of procurements also identified insufficient documentation of the reasons for or against using a probity advisor, many variations to contract values that were not sufficiently explained, and work commencing prior to contract execution. For the pre-construction phase, the ARTC's systems and procurement and document management arrangements did not effectively support procurement.
6. In reaching our audit conclusion and findings, we took account of the operating environment of the ARTC, including the uncertainty surrounding the future of the Inland Rail programme, against the backdrop of the Commission's experience in procuring rail infrastructure and maintenance services more broadly. Given that broader procurement experience, we expected more mature procurement approaches to have been in place at the outset of the pre-construction phase of the Inland Rail programme.
7. The audit recognised that the ARTC has identified the need to improve existing business functions and procurement practices throughout the pre-construction phase, and commenced initiatives to strengthen administration. Procurement activities improved during the sampling period, as new systems, processes and practices were implemented.
8. Other positive audit findings included that governance arrangements for the pre-construction phase were appropriate, and grant funding was appropriately managed for each of the four funding packages provided for the pre-construction phase.

9. The audit made three recommendations in relation to updating risk management systems, improving records management and supporting transparency and value for money in contracting arrangements. The audit also noted that initiatives to strengthen the ARTC's business functions and procurement practices 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.
10. We are happy to take any questions you have.