



**Tasmanian  
Audit Office**

Royal Hobart Hospital  
Redevelopment Project

Report of the Auditor-General  
No. 5 of 2019-20




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Today's presentation

- Objective and scope of the audit
- Audit approach
- Auditor-General's conclusion
- Background to the Royal Hobart Hospital (RHH) Redevelopment Project (the Project)
- Audit findings:
- Recommendations
- Comments received



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Objective

The objective of this audit was to assess the effectiveness of processes relating to:

- project governance, management and reporting
- risk management
- budgetary and financial management
- building and operational commissioning.



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## Audit scope

- Covered the period from the inception of the Project to 31 March 2019, being the date of completion of audit fieldwork
- Where appropriate, information provided subsequent to 31 March 2019 has been taken into consideration.
- The audit scope did not include:
  - clinical services planning
  - master plans
  - procurement processes.

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## Audit approach

1. Is project governance, management and reporting adequate?

2. Are the risk management framework and processes appropriate?

3. Is the financial management to deliver the Project and realise the expected benefits appropriate?

4. Are plans and resources adequate to enable effective building and operational commissioning?

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## Auditor-General conclusion

RHH Redevelopment Project, as measured against the audit criteria has, in all material aspects, been managed effectively.

Project governance, management, reporting and financial and risk management have effectively supported the Project to date.

Operational commissioning planning is well progressed, with roles and responsibilities, resourcing, key decision points, monitoring and reporting mechanisms continuing to be clarified and improved as they evolve.

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### Redevelopment of the RHH

- **May 2009** - Cabinet decided not to proceed with the construction of a new RHH.
- **November 2010** - Department of Health and Human Services (DHHS) submitted a business case to the Commonwealth Health and Hospital Fund (HHF) for redevelopment of the RHH.
- **June 2011** - Submission successful and an Intergovernmental Agreement (IGA) signed providing: \$240m from HHF, \$100m from the Australian Government and \$225m from the Tasmanian Government. Additional Australian Government funding of \$2.80m also secured for improvements to day surgery.

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### Redevelopment of the RHH

- RHH redevelopment funded under the IGA comprised three phases:
  - Phase 1 - infrastructure and essential capital works
  - Phase 2 - construction of an Integrated Cancer Centre on the RHH site
  - Phase 3 - construction of the new inpatient precinct (K-Block).

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## Redevelopment of the RHH

- **December 2011** - endorsement of the master plan by State Cabinet.
- **January 2012** - approval to use the managing contractor form of procurement.
- **September 2013** – John Holland Fairbrother Joint Venture announced as managing contractor. Stage 1 of contract required managing contractor to develop Guaranteed Contract Sum (GCS) offer and undertake some early works packages.
- **January 2014** – Tasmanian Audit Office report on the governance and project management of the Project<sup>1</sup>.



<sup>1</sup> Tasmanian Audit Office, Redevelopment of the Royal Hobart Hospital: governance and project management, January 2014. 9

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## Redevelopment of the RHH

- **February 2014** – GCS offer provided.
- **April 2014** – Tasmanian Health Commission Report – recommended project be placed on hold to ensure a full and comprehensive service plan was developed in context of resources available to build and operate the service as part of a State-wide health system.
- **May 2014** - Project put on hold and to commission an investigation by a Taskforce (RHH Redevelopment Rescue Taskforce).



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## Redevelopment of the RHH

- **November 2014** - Taskforce completed investigation<sup>2</sup> and concluded the Project could proceed, with important additions:
  - safer construction methodology
  - fully costed decanting and refurbishment plan
  - improved design to increase the floor area of levels 2 and 3
  - improved design for the maternity ward
  - addition of a helipad for emergency aeromedical retrievals
  - accelerated replacement of the hyperbaric chamberAdditional investment of \$71.90m also required.



<sup>2</sup> RHH Redevelopment: Rescue Taskforce, RHH Redevelopment Project Key Findings and Recommendations, November 2014. 11

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## Redevelopment of the RHH

- **2015** - Governance arrangements revised.
- **December 2015** - Government approved GCS offer of \$389m for the construction of K-Block, total budget for the project now \$689m.

Funding Source	Amount \$m
Special Capital Investment Funds - Hospital Capital Fund - RHH	100
Capital Investment Program - RHH Redevelopment	469
Capital Investment Program - RHH Women's and Children's	100
Capital Investment Program - State-wide Cancer Services - RHH Cancer Centre Upgrade	20
<b>Total</b>	<b>689</b>

- **April 2017** - Demolition of B-Block completed, allowing construction of K-Block to commence.

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## Redevelopment of the RHH

- **June 2017** - Project key outputs under the IGA revised and included:
  - minimum of 50 000 m<sup>2</sup> floor area
  - a Women's and Children's Precinct
  - minimum 195 new overnight, on-campus beds
  - 7 additional operating and procedure rooms
  - surgical intervention and diagnostic area
  - Assessment and Planning Unit
  - a 23-hour unit for patients requiring one overnight stay
  - a Patient Transit Lounge
  - a helipad
  - infrastructure and engineering services
  - design and layout for flexible utilisation of beds and co-location of functional services
  - replacement of the hyperbaric chamber

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## Redevelopment of the RHH

- **August 2019** – scheduled completion date for K-Block
- Throughout the lifecycle of the Project, control of the asset and the relevant responsibility of the Project changes.
- Key phases of the Project include:
  - commissioning (practical completions) - building work is completed (except for minor defects and omissions) and buildings are reasonably capable of being used for their intended purpose
  - operational commissioning, being the process of preparing a new clinical or service area for occupation
  - ongoing operation and maintenance by THS as the ultimate owner.

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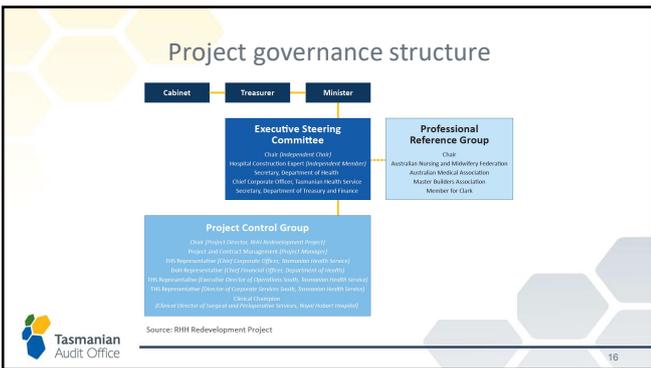
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### Project governance, management and reporting

- Adequate definition and understanding of the project Executive Steering Committee (ESC) and the Project Control Group (PCG) roles and responsibilities.
- Greater clarity is required through project transition to operational commissioning phases.
- Adequate skills and resources have been engaged to effectively govern the project to date.
- Regular comprehensive reporting is provided to enable sound decision making and monitoring of key project milestones.

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## Project governance, management and reporting

- Appropriate project assurance needs to be considered as the project nears completion.
- There is limited data quality and information assurance.
- Expected benefits have been identified and monitored indicating the delivery of some benefits are delayed.

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Are the risk management framework and processes appropriate?

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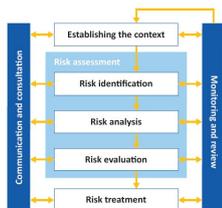
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## Project risk management framework



Source: BHH Redevelopment Risk Management Framework

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### Project risk management escalation path



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### Risk management framework and processes

- Project risk management framework is currently fit for purpose but will need to adapt as the project moves into its final phases.
- Adequate skills and resources support and effective risk management framework and have been further strengthened.
- Current and emerging project risks are considered and actioned but these actions and approach to external risks are not documented.

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Is the financial management to deliver the Project and realise the expected benefits appropriate?

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### Phase 3 K-Block construction expenditure

Description	Expenditure (at 30 June 2019)	Approved Budget (December 2015)	Budget (June 2019)
	\$m	\$m	\$m
Early Works	1	1	1
Construction - Managing Contractor	388	395	409
<b>Total Construction</b>	<b>389</b>	<b>396</b>	<b>410</b>
Other project and client costs	100	188	174
<b>Total Cost</b>	<b>479</b>	<b>584</b>	<b>584</b>

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### Financial management

- There are adequate skills and resources to enable effective financial management of the project.
- There is adequate monitoring of budgeted expenditure and actual project expenditure but information provided to ESC is too detailed.
- Project modifications and variations have been appropriately reviewed, approved and managed.

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Are plans and resources adequate to enable effective building and operational commissioning?



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## Responsibilities of key stakeholders throughout building and operational commissioning

Group/Role	Responsibility		Reports to
	Building Commissioning	Operational Commissioning	
Minister for Health		✓	-
Department of Health	✓	✓	Minister for Health
THS Executive		✓	Secretary of DoH
RHH Executive	✓		THS
Executive Steering Committee	✓	✓	Minister of Health
Project Control Group	✓	✓	ESC
Project Management Group	✓		PCG
Construction Interface Group	✓		PMG
Project Director	✓		Minister of Health
Deputy Project Director		✓	Project Director
Professional Reference Group	✓		Advisory Function to Project Director
RHH Executive Commissioning Group (ECG)		✓	PCG
Logistics and Functional Commissioning Groups		✓	ECG
Clinical Commissioning Groups		✓	ECG

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## Building and operational commissioning

- Recent developments are making a clearer delineation between building and operational commissioning roles and responsibilities
- Readiness assessment and Go-No-Go activities framework and documentation has been recently developed.
- Role of CCGS, LFCGS, and the cross functional delivery team (CFDT) has been made clearer with the introduction of an issues register for the project transitional phase.
- Role of the ESC needs to be clearer for the project transition phase
- Role of the Deputy Project Director is not articulated clearly across key strategies and plans.

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## Building and operational commissioning

- Adequate skills and resources and independent assurance support building and operational commissioning.
- Gateway reviews have been used to gain independent assurance.
- A stronger approach to developing plans to identify the critical path of project activities and key milestones was being developed.
- Reporting mechanisms for building and operational commissioning need to be strengthened.
- While the impact of the development on continuity costs needs to be better understood, plans for future operating costs have been developed.

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**Recommendations**

1. The ESC and DoH review governance arrangements to ensure an agile approach is maintained that reflects the changing needs of the Project, including:

- defining the governance model
- the governance model for operational commissioning
- overall roles and responsibilities to support transition from building to operational phases
- formally assigning overall accountability for operational commissioning of K-Block to a member of the THS Executive.

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**Recommendations**

2. The ESC consider:

- content of its meeting records
- independent assurance over performance and other information.

3. For operational commissioning of K-Block, DoH further develop and implement:

- clear critical path planning and milestones
- establish reporting that covers integration with key building commissioning milestones and key activities, shared risks with building commissioning, status against the critical path.

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**Recommendations**

4. For future major infrastructure projects, the Government consider:

- implementing an approach where acquired knowledge and skills developed on major public sector projects can be conserved for deployment on future projects
- including in the initial Delegations Instrument delegation of contingency allocations.

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**Comments received**

**Minister for Health:**

The Tasmanian Government welcomes the report's recommendations which predominantly focus on good governance going forward; in subsequent stages of the RHH Redevelopment and other major State infrastructure projects.

Importantly, the report's findings note the project has effective governance and management practices, risk management approach, and financial management processes in place.

**Secretary of Department of Health:**

I accept the recommendations in the Report and note your conclusion that the RHH Redevelopment Project has been managed effectively.

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**Thank you**

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