Tasmanian
Audit Office

Report of the Auditor-General
No. 6 of 2013-14

Redevelopment of the Royal Hobart Hospital: governance and project management

January 2014

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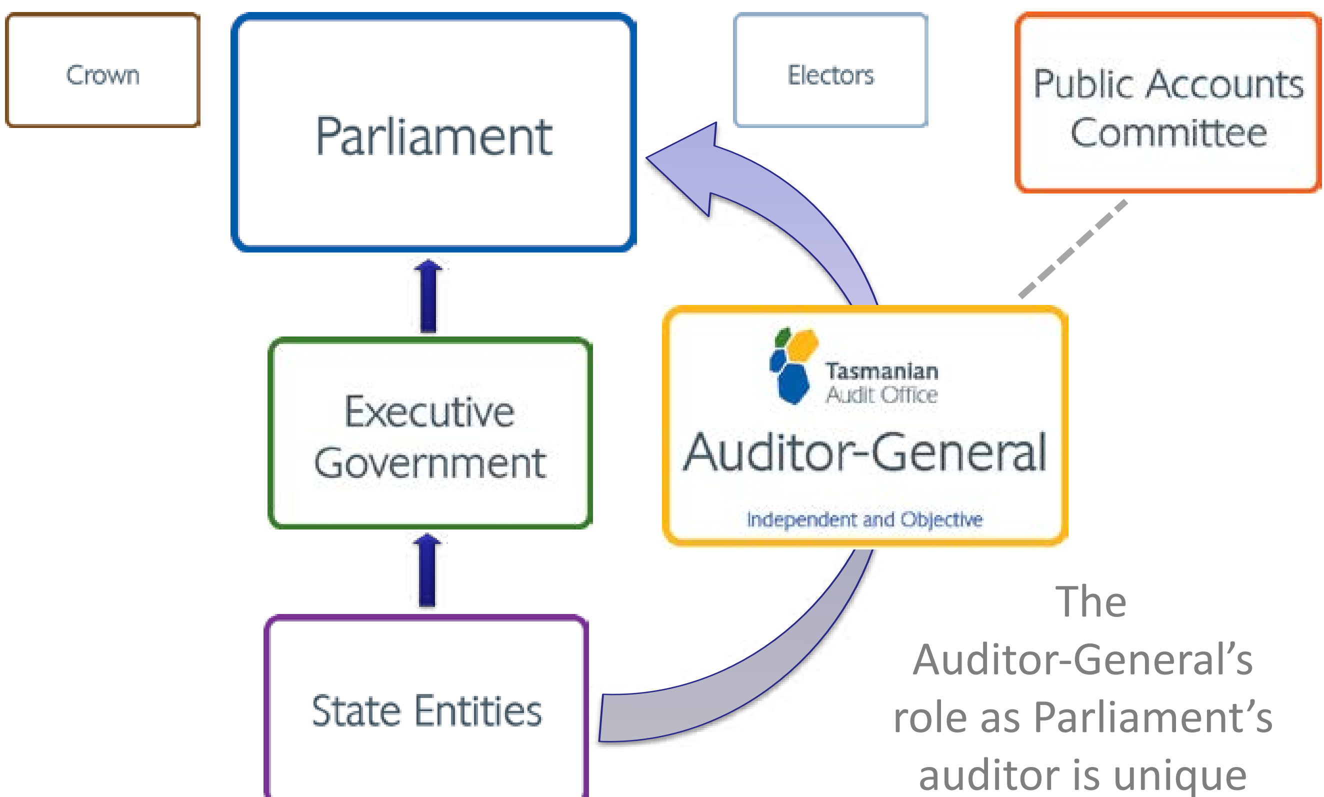

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PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL No. 6 of 2013–14

Redevelopment of the Royal Hobart Hospital: governance and project management

January 2014

Presented to both Houses of Parliament in accordance with the provisions of Audit Act 2008

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16 January 2014

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Mr Speaker

REPORT OF THE AUDITOR-GENERAL
No. 6 of 2013–14: Redevelopment of the Royal Hobart Hospital: governance and project management

This report has been prepared consequent to examinations conducted under section 23 of the *Audit Act 2008*. The performance audit assessed the effectiveness of the governance, project management and initial implementation of the Royal Hobart Hospital redevelopment project.

Yours sincerely

H M Blake
AUDITOR-GENERAL

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Foreword

This Report contains regular references to the Royal Hobart Hospital redevelopment being one of the largest infrastructure projects ever undertaken by the State Government. Added to the complexities of the project was the need for the hospital to remain fully operational and, at some stage, the likelihood that some patients will be temporarily decanted during construction.

Not common is for an auditor-general to initiate an audit at such an early stage of a project. However, the nature and size of the project indicated to me that an audit of governance and project management of the initial stages of the RHH redevelopment was warranted.

My Report is critical of governance and project management aspects but notes that, at the time of finalising my work on 31 October 2013:

- redesign of the redevelopment, with a reduced 'footprint' and other efficiencies, had the project estimate back on budget although this judgement is subject to receipt of the final guaranteed construction sum
- a 2016 completion might still be possible, although many issues needed to be resolved.

The recommendations made in this Report are aimed at improving governance and project management for the remainder of the RHH redevelopment and I note the Department of Health and Human Services has accepted all of them. It may well be that another audit will be initiated aimed at assessing implementation of the recommendations and auditing other aspects of the redevelopment.

My audit scope did not include an assessment as to whether or not the RHH redevelopment will result in the construction of a new tertiary health facility that stands the test of time. I am hopeful that this will prove to be the case. Those currently charged with governing the project have the opportunity to ensure that this occurs.

H M Blake

Auditor-General

16 January 2014

List of acronyms and abbreviations

DHHS	Department of Health and Human Services
ESC	Executive Steering Committee
GCS	Guaranteed Construction Sum (the amount for which a contractor offers to enter into a contract to perform specific work)
GRAC	Governance, Review and Advisory Committee
IGA	Inter-Governmental Agreement
MOC	Models of Care
NSW – ERG	New South Wales-based Expert Review Group
PCG	Project Control Group
PDP	Project Definition Plan
PM Guidelines	*Tasmanian Government Project Management Guidelines Version 7.0* July 2011
RAC	Review and Advisory Committee
RHH	Royal Hobart Hospital
RHH SC	Royal Hobart Hospital Steering Committee
SPPOCC	Strategic Policy and Projects Oversight Committee of Cabinet

Executive summary

Executive summary

Background

As the state's only tertiary care hospital, the Royal Hobart Hospital (RHH) is a vitally important part of Tasmania's health infrastructure. With its oldest building almost 75 years old and several others at the end of their economic life, the hospital was the subject of unease from clinicians and the public about its ongoing viability and need for major redevelopment.

In 2006, the State Government's preferred option was construction of a new facility at Macquarie Point on land previously occupied by rail yards.

A combination of cost escalations, worsening economic times and concerns about the proposed solution persuaded the government to abandon the proposed new location. Instead, it committed to spending $100m on redeveloping existing infrastructure.

After the federal election in 2010, the Commonwealth and State governments committed additional funding for redevelopment work estimated to cost $486m bringing the total cost to $586m.

That sum makes the RHH redevelopment one of the largest infrastructure projects ever undertaken by the Tasmanian Government. Added to the complexities of the project was the need for the hospital to remain fully operational.

The objective of this audit was to make a conclusion as to the effectiveness of the governance, project management and initial implementation of the RHH redevelopment project.

Detailed audit conclusions

These audit conclusions are based on criteria that we developed to support the audit's objective and are aligned to the chapter structure of this Report.

Had the redevelopment's requirements been defined?

We were satisfied that clinical and non-clinical stakeholders had been adequately consulted, although clinical sign-off was a factor in project delays.

We were satisfied that functional requirements had been adequately determined for initial design purposes. However, there was still a need for documentation deficiencies to be addressed to the satisfaction of the Executive Steering Committee (ESC).

Had alternative solutions been properly considered?

We were satisfied that alternative sites and designs had been identified and considered, and that a reasonable process had been followed to identify the best solution. We also considered that although the size of the project budget was a political determination, sufficient work had been performed to make it likely that functional requirements could be met within that budget.

Were the governance arrangements appropriate?

While governance roles were filled from the early stages of the project, governance was impaired by the following weaknesses:

- Despite the size and complexity of the project the team operated under routine agency delegations until a dedicated delegations instrument was issued in December 2012.
- The project manager position was at too low a level for key stages of the project and inappropriately positioned within the client organisation.
- Skill and manpower shortages were identified in Gateway reviews undertaken in both 2010 and 2011 and had persisted throughout the project[1].
- Too many oversight bodies existed creating confusion as to who was actually steering the project for some periods.
- Up until December 2012, the committee 'steering' the projects was inappropriately positioned within the client organisation.
- There were breakdowns in compliance with the project's risk management framework.

In summary, we consider that governance arrangements had been weak and in a state of flux during crucial planning and design periods.

Nevertheless, we accept that the Department of Health and Human Services (DHHS) had made important progress in strengthening the project's governance arrangements.

[1] Gateway reviews are described by the Victorian Government as a process where a team of external practitioners use their experience and expertise to provide the project owners with timely, independent and confidential advice at key decision points.

Was project management effective?

Milestones and work schedules were being met in the early stages of the project including the initial design work. However, substantial slippages had occurred in finalising the design and appointing a managing contractor.

In mid-2013, there were concerns that proposed work, as then scoped and designed, appeared likely to exceed the budget. However, redesign of the redevelopment, with a reduced 'footprint' and other efficiencies had the project estimate back on budget.

It also appeared that a 2016 completion might still be possible, but many issues needed to be resolved including provision of better documentation to oversight committees.

Was there adequate monitoring and reporting?

The Commonwealth Government and the State Minister for Health had been provided with regular progress reports.

However, we found significant gaps in provision of 'monthly' status reports to steering and review committees. We also found that up until March 2013, project status reports were too brief.

Recommendations

The Report contains the following recommendations:

Rec	Section	We recommend that ...
1	1.3	... requirements should be defined early and unambiguously in any major project. (for future projects)
2	1.5	... priority be given to finalising the project definition plan to the satisfaction of the Executive Steering Committee, for the RHH Redevelopment Project. (for the RHH Redevelopment Project)
3	3.3	... the Secretary of DHHS be formally noted as the business owner of the RHH Redevelopment Project in the Business Plan and or Project Definition Plan. (for the RHH Redevelopment Project)
4		... the business owner for all projects should be clearly defined before or during the planning phase. Ideally, the business owner should have ownership or administrative control of the project assets. (for future projects)

5	3.4	… skill deficiencies in the project team be rectified as soon as possible. (for the RHH Redevelopment Project)
6		… the project manager and project team be organisationally aligned to the project owner. (for future projects)
7	3.5	… a single steering committee (rather than multiple oversight committees) be set up prior to project planning; that it should: - be organisationally close to the business owner - have members with skills, seniority and experience commensurate with the magnitude and complexity of the project. (for future projects)
8	3.6	… instruments of delegation be established at the same time as, and in conjunction with, corporate governance arrangements for a project. (for future projects)
9	3.7	… all internal audit functions be performed in accordance with the approved plan. (for the RHH Redevelopment Project)
10	3.8	… risk management reviews should be implemented in accordance with the approved framework or plan. (for the RHH Redevelopment Project)
11	4.2	… project milestones be revised following acceptance of the construction offer. (for the RHH Redevelopment Project)
12		… high priority be given to project management to ensure no further slippage against milestones. (for the RHH Redevelopment Project)
13		… business plans for large projects contain sufficient milestones to allow for meaningful project management and reporting. (for future projects)
14	4.5	… there be regular reporting to the Executive Steering Committee on implementation of the recommendations of review bodies. (for the RHH Redevelopment Project)

15		… high priority be given to resolving outstanding issues or concerns. (for the RHH Redevelopment Project)
16	4.6	… processes be put in place to better respond to steering committee concerns. (for future projects) (for the RHH Redevelopment Project)
17	5.2	… regular status reports be prepared at regular intervals and formally considered by oversight committees. (for future projects)
18	5.3	… the detail contained in status reports should be commensurate with the size and complexity of the project. (for future projects)

Audit Act 2008 section 30 — Submissions and comments received

Audit Act 2008 section 30 — Submissions and comments received

Introduction

In accordance with section 30(2) of the *Audit Act 2008*, a copy of this Report was provided to the Department of Health and Human Services and a summary of findings was provided to the Treasurer and Minister for Health. The Department, Treasurer and Minister were invited to make submissions or comments.

Comments and submissions provided are not subject to the audit nor the evidentiary standards required in reaching an audit conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response or comment.

Department of Health and Human Services

Thank you for the opportunity to comment on the draft report to Parliament of the Royal Hobart Hospital Redevelopment Project.

The Department of Health and Human Services (DHHS) accepts all of the Report's recommendations.

During this year [2013], significant improvements were made to the project management and governance framework which details appropriate delegations and approval processes for the Project. It is noted that of the 18 recommendations, nine are intended to apply to future projects rather than the Royal Redevelopment Project specifically. This recognises the action already taken to ensure that the appropriate processes are in place.

The RHH Redevelopment is Tasmania's largest ever health infrastructure project and as such, is complex and exacting. I note that a number of misunderstandings regarding key aspects of the Project are still contained within this draft.

The last 12 months has included essential and intensive consultation, planning, design and review processes. This has included external reviews recommending design improvements and documentation; analysis of clinical demand and clinical input and sign off; and validation of costs. As a result, an efficient and effective redesign was produced that is best suited to the operational needs of the hospital, meets the requirements of the Intergovernmental Agreement with the Australian Government, and is achievable within the project's budget. It is this early investment that will minimise the risk of a project delay during construction.

Finally, while acknowledging that events post-31 October 2013 are outside the scope of the report, I note that some aspects of the commentary are no longer current. Recommendation 11 for example, has been superseded by the execution of the managing contractor contract. Additionally, it is important to recognise that on 27 November 2013 the Minister for Health announced an updated construction method. This will significantly reduce the disruption of the build on patients and staff and deliver the new inpatient precinct sooner. This is further evidence of the benefit of our investment in planning and redesign.

Matthew Daly
Secretary

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Introduction

Introduction

Background

Founded shortly after European settlement in 1804, the Royal Hobart Hospital (RHH) is one of the oldest hospitals in Australia. Since that time, it has grown from a collection of tents into Tasmania's largest hospital with a maximum capacity of 550 beds. From the completion of the first purpose-built hospital building in 1820 an assortment of hospital-related buildings has occupied the same site; now an inner-city block. The oldest currently standing building dates back to 1939.

In 2006, the government responded to concerns expressed by clinicians and the general public about the aging infrastructure. The government's preferred option was to construct a purpose-built hospital at the rear of the Macquarie Point port facilities on land previously used as rail yards.

However, cost escalations, the onset of more difficult economic times and public concerns about the proposed solution forced the government in May 2009 to abandon this development. Instead, it committed to spending $100m on infrastructure to keep the existing hospital safe and fit for purpose.

After the federal election in 2010, the Commonwealth and State governments committed funding for redevelopment as shown in Table 1.

Table 1: Funding of RHH Redevelopment

Committed funding	Amount
2009 State (infrastructure work — Phase 1*)	$100m
2010 Commonwealth	$100m
2011 Combined funds (cancer centre — Phase 2*)	$21m
2011 additional Commonwealth	$240m
2011 additional State	$125m
Total	**$586m**

* Not in audit scope

The program of works is shown in Table 2.

Table 2: Program of works for RHH Redevelopment

Works	Estimated cost	In audit scope?
Campus-wide infrastructure up-grades (Phase 1) (also referred to as the 'Keep safe and operational' pro-gram)	$100m	No
Cancer centre (Phase 2)	$21m	No
New building including the Women and Children's precinct (Phase 3)	$465m	Yes
Total	**$586m**	

At more than half a billion dollars, the RHH redevelopment is one of the largest infrastructure projects ever undertaken by the Tasmanian Government. It is a complex project because the RHH is a busy tertiary acute care hospital that must remain fully operational.

Given the complexities and scale of the project, the Auditor-General decided to undertake a performance audit despite the project still only being in the early stages of design and development.

Audit objective

The objective of this audit was to form an opinion as to the effectiveness of the governance, project management and initial implementation of the RHH redevelopment project.

Audit criteria

The audit criteria developed for this audit were aimed at addressing the following aspects of effectiveness:

- Had the redevelopment's requirements been defined?
- Had alternatives and solutions been properly considered?
- Were governance arrangements appropriate?
- Was project management effective?
- Was there adequate monitoring and reporting?

The criteria were based in part on the Tasmanian Government Project Management Guidelines Version 7.0 July 2011 (PM Guidelines).

Audit scope

The audit examined governance arrangements including project justification, planning, project and budget management, stakeholder management and project implementation.

Individual projects examined, (collectively referred to as the RHH redevelopment), included:

- Women and Children's precinct ($100m)
- RHH redevelopment including erection of new buildings ($365m).

The audit did not include:

- 'Keep safe and operational' program ($100m)
- upgrade to the cancer centre ($21m).

The audit was unusual in that it was looking at an ongoing project, which was subject to change right up to the reporting date. We considered changes to the project up until 31 October 2013.

Audit approach

The audit involved:

- discussions with relevant officers within Tasmanian Health Organisation–South (THO-South) and Department of Health and Human Services (DHHS)
- reviewing relevant documentation from each of the entities involved in the audit
- examining external reports
- discussions with:
  - external parties
  - Treasury, Premier and Cabinet and Crown Law staff as necessary.

Timing

Planning for this audit began in November 2012. Fieldwork was completed in October 2013 and the report was finalised in November 2013.

Resources

The audit plan recommended 1100 hours and a budget, excluding production costs, of $226 573. Total hours were 1348 and actual costs, excluding production, were $203 247, which exceeded our time budget but was within our dollar budget.

Timeline of events

Timeline of events

Table 3 is intended to assist in reading the further Chapters of this Report. It is not intended to be a complete list of all significant events. Rather, it puts into context events discussed elsewhere in the Report.

Table 3: Timeline of events for the RHH redevelopment

Date	Significant event
2009	
May	New RHH Project (under consideration from 2006) cancelled
May	State Government committed \$100m to keep the hospital safe and operational (Phase 1)
2010	
Jan	Work commenced on Phase 1 infrastructure upgrade (outside audit scope)
Jun	Work commenced on Phase 2 cancer centre (outside audit scope)
July	2010 Gateway Review
Sep	Commonwealth pledged funds for redeveloped hospital (Phase 3)
Nov	State Government pledged funds for redeveloped hospital (Phase 3)
Nov	Business Case prepared for *Health and Hospitals Fund* bid
Dec	*Health and Hospitals Fund* funding bid submitted
2011	
Feb	RHH-based project manager ('Project Director') appointed
Jun	Intergovernmental Agreement (IGA) signed with funds committed: • Commonwealth \$340m[2] • State \$125m
Sep	Redevelopment RHH Program Business Plan Version 1.0 (the Business Plan, effectively the project plan) signed by acting Secretary DHHS
Oct	RHH steering committee became the Project Control Group (PCG)
Nov	Completion of master plan for entire site by the contracted architects — included Phases 1 and 2 (outside audit scope) and initial schematic design for Phase 3 (within audit scope)
Nov	NSW based Expert Review Group (NSW – ERG) initiated design review
Dec	2011 Gateway Review

[2] Includes \$100m for Women and Children's precinct and \$240m for major new build (Inpatient precincts)

Date	Significant event
2012	
Jan	Secretary DHHS appointed after 15 months of acting Secretaries
May	Review and Advisory Committee identified gaps in project authorisations and delegations and commenced preparation of a delegation instrument
Jun	Work completed on Phase 1 infrastructure upgrade (outside scope)
Jun	Tender for managing contractor closed
Jul	Business management of RHH reassigned from DHHS to newly established THO–South
Aug	NSW – ERG reported: recommended 11-floor option be explored
Sep	Project Management (PM) Consultant reported on audit of processes
Sep	Business Plan updated (Version 2.1) to incorporate designs and review
Sep	Council planning permit issued
Sep	Project documentation submitted to the Parliamentary Public Works Committee (for approval that it meets purpose, is necessary and represents value)
Oct	Parliamentary Public Works Committee recommended project proceed
Dec	Schematic design addendum prepared by the contracted architects following recommendations made in NSW – ERG design review
Dec	Delegations instrument signed by Minister for Health
Dec	Executive Steering Committee established
2013	
Feb	All clinicians signed-off that designs under consideration will enable them to provide their models of care
Jul	Delegations instrument revised to reflect newly created position of Executive Director.
Jul	Reduced footprint design in response to budget concerns
Aug	Clinicians agreed ESC endorsed design will support models of care
Aug	Revised IGA (fewer operating theatres, completion extended from 2015-16 to 30 June 2017)
Sep	Managing Contractor appointed to prepare a 'Guaranteed Construction Sum' (GCS) offer[3]
Oct	Revised construction methodology proposed, completion estimated late 2016

[3] The guaranteed construction sum is the amount for which a contractor offers to enter into a contract to perform specific work.

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1 Had the redevelopment's requirements been defined?

1 Had the redevelopment's requirements been defined?

1.1 Background

One of the key risks in a large, complex project is that the scope and objectives of the project may not be what was actually needed.

To form an opinion as to whether the requirements had been properly defined we looked at whether:

- the project's scope had been clearly defined
- clinical and non-clinical stakeholders had been adequately consulted
- functional requirements had been determined.

We focused in this Chapter on the documents listed in Table 4.

Table 4: Project requirement documents

Document title	Short name
Royal Hobart Hospital Redevelopment Business Case, November 2010	2010 Business Case
Inter-Governmental Agreement (IGA) for the redevel-opment of the Royal Hobart Hospital, June 2011	2011 IGA
Redevelopment RHH Program Business Plan Version 1.0 September 2011, updated September 2012 (Version 2.1) and January 2013 (Version 2.2)	Business Plan
The majority of clinicians signed Models of Care (MOC) in December 2012, and by February 2013 all clinicians had signed-off that the designs under consideration would accommodate their MOC.	Feb 2013 Clinical sign-off
Additional clinician sign-off that the reduced footprint design would accommodate their MOC, August 2013	Aug 2013 Clinical sign-off
Amended Project Agreement for the redevelopment of the Royal Hobart Hospital, August 2013	2013 IGA

1.2 Had the project's scope been clearly defined?

Project scope establishes the boundaries of a project and should occur regardless of the size of the project. The scope of the project will specify what can be delivered within the timeframe and any constraints. Typically, it is defined in terms of specific goals, deliverables, tasks and deadlines.

There was no explicit scope section listed in the 2010 Business Case or 2011 IGA but 'scope' was implicitly defined in objectives and deliverables sections, and included:

- improved service configuration to allow clinicians to adopt new MOC
- a 23-hour unit
- a new intervention and diagnostic area
- new assessment and planning unit
- additional operating theatres and procedure rooms
- increased bed capacity
- improved infrastructure and engineering services.

Subsequently, some minor changes to the scope were made in the IGA 2013 (e.g. reduction in the number of additional operating theatres, ratio of new build to refurbished floor space), partly in response to input by clinicians and partly in response to projected budget overruns.

However, as the PM Guidelines states:

> Planning and scoping a project is not a static, one-off process. While initial planning and scoping occurs in the pre-project or initiation phase, planning is a process that occurs throughout the life of a project; the scope of the project will be re-examined many times over the project's life.

In our view, the scope was adequately defined in the 2011 IGA and the 2010 Business Case to allow the project to proceed to the functional requirement and design phases.

1.3 Were clinical stakeholders adequately consulted?

Inevitably, clinical stakeholders would be significantly impacted by the redevelopment process and its outcomes. It was therefore essential that clinicians of the RHH were consulted to understand how the project construction phase would impact on service delivery and how the outcomes would meet their functional requirements. The design process was driven by clinician input including development of the MOC.

Such consultation does not necessarily ensure that each clinician would be in full agreement with the proposal, but does at least highlight any disagreements and ensure that concerns are properly considered.

Initially though, the requirements addressed in the early design phases were Commonwealth requirements spelt out in the 2011 IGA, such as bed capacity, additional operating theatres and improved service configuration. Those requirements were based in part on previous redevelopment analysis from 2006 to 2009, which included consultation with clinicians.

Subsequently, additional work was performed to ensure that current clinicians were comfortable with the proposed designs. Clinical stakeholders — primarily Senior Clinicians and Nurse Unit Managers — designed MOCs describing how each of the health services affected by the redevelopment would be provided.

In early 2013, the newly established Executive Steering Committee (ESC) expressed concerns that the MOC signoff process was incomplete. By the end of February 2013, clinical signoff had been completed. The signoffs certified that the proposed design would support delivery of the services outlined in the MOCs. Sign-off also included recognition that future changes might be needed for budget reasons. In August 2013, the clinical sign-off process was repeated because of changes to the design.

One outcome of the consultation process was that some requirements of the 2011 IGA were modified; for example, clinicians identified they required fewer operating theatres. This led to an amended IGA being agreed in August 2013.

We were satisfied that clinical stakeholders had been consulted. On the other hand, we share the ESC's concern that clinical sign-off did not occur until 2013.

Recommendation 1 (for future projects)

We recommend that requirements should be defined early and unambiguously in any major project.

1.4 Were non-clinical stakeholders kept informed?

Apart from the clinical stakeholders, there are many other groups with an interest in the success of the project including users of the hospital.

We were looking for a plan to keep stakeholders informed and evidence that it had been followed. We found that:

- The Business Plan included a communication strategy and a communications plan[4].
- The strategy listed internal and external stakeholders and appeared comprehensive.
- The communication plan had been largely implemented (e.g. information booth, staff forums, help for local business, community presentations).

[4] *Redevelopment RHH Program Business Plan Version 2.2 08-01-2013* (the Business Plan)

We were satisfied that non-clinical stakeholders were kept informed.

1.5 Had functional requirements been determined?

We were looking for thorough and detailed definition of functional requirements, defined prior to entering the design phase. As noted in Section 1.3,

- Broad functional requirements were initially defined in the 2010 Business Case.
- Initial architectural and interior design concepts were developed in 2011 and 2012, based on those broad requirements.
- By the end of February 2013, all clinical stakeholders had signed off on their acceptance that the proposed design would support delivery of the services outlined in MOCs.

We also noted that the ESC expressed concerns in early 2013 that the various designs did not fully meet the requirements of the IGA (e.g. completion date, floor space and operating theatres). In our view, it was reasonable to consider some departures from the IGA requirements, provided they were subsequently ratified. That occurred and an amended IGA was signed in August 2013.

A further concern of the ESC was that it did not have a satisfactory Project Definition Plan (PDP). Usually, a PDP is developed early in a project and formally defines the requirements and scope. More generally, some ESC members had expressed ongoing concerns about documentation of functional requirements.

Whilst it was not unreasonable that initial design work was based on the Business Plan, more precise definitions of requirements were going to be necessary to enter into negotiations with a construction consultant.

So, in summary, we were satisfied that functional requirements had been adequately determined for initial design purposes. However, there was still a need for documentation deficiencies to be addressed to the satisfaction of the ESC.

Recommendation 2 (for the RHH Redevelopment Project)

We recommend that priority be given to finalising the project definition plan to the satisfaction of the ESC, for the RHH Redevelopment Project.

1.6 Conclusion

We were satisfied that clinical and non-clinical stakeholders had been adequately consulted, although clinical sign-off was a factor in project delays.

We were satisfied that functional requirements had been adequately determined for initial design purposes. However, there was still a need for deficiencies in documentation of requirements to be addressed to the satisfaction of the ESC.

2 Had alternative solutions been properly considered?

2 Had alternative solutions been properly considered?

2.1 Background

Another key risk in a major project is that alternative solutions are neither considered nor properly evaluated. To assess this, we looked at whether:

- alternative sites had been identified and considered
- alternative designs had been identified and considered
- a reasonable process had been followed to identify the best solution
- the project budget had been based on requirements (rather than on available funds or a particular proposal).

2.2 Had alternative sites been identified and considered?

We noted that prior to the current redevelopment project the government had undertaken intensive analysis from 2006 to 2009 of a possible replacement hospital.

During that period, the government had considered several sites with a new build on Macquarie Point rail yards proposed in July 2008. Subsequently, that concept was abandoned. In May 2009, the Department of Treasury and Finance advised that a new site was not affordable.

We were satisfied that alternative sites had been thoroughly considered and investigated.

2.3 Had alternative designs been identified and considered

We looked at whether alternative design solutions had been considered. We found that:

- The business case considered four distinctly different redevelopment options for the existing site.
- The project architect had developed an initial design (ten floors and renovations) for the preferred business case option.
- An 11-floor alternative was considered based on a review by an Expert Review Group (NSW – ERG) in August 2012.

We were satisfied that alternative solutions and designs had been considered.

2.4 *Was a reasonable process followed to identify the best solution?*

Four options for the site were assessed against eight evaluation criteria. The selected option was chosen because it:

- was the most cost effective
- was fastest to provide benefits
- was the only option that fully met the expectations of the National Health and Hospitals Agreement[5]
- offered superior functionality and operation with the existing hospital services
- required the least external or complex negotiations.

We found the rationale to be well documented and persuasive.

2.5 *Was the project budget based on requirements?*

We looked at whether the project budget was based on requirements (rather than on available funds or a particular proposal).

The $565m figure was first mentioned at the time of the March 2010 state election[6]. Agreements between the then Prime Minister and Member for Denison subsequently referred to the $565m RHH redevelopment, before any specific planning had been performed. Treasury acknowledged that the Commonwealth and State contributions were politically determined sums.

Thus, the $565m had its origins in political discussion rather than needs assessment. However, extensive requirement definition and design work confirmed that a satisfactory redevelopment could be provided within that 'political' budget.

We conclude that although the budget was originally based on funds available, adequate work was done to ensure that the budget would be sufficient to meet user requirements.

2.6 *Conclusion*

We were satisfied that alternative sites and designs had been identified and considered, and that a reasonable process had

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[5] Council of Australian Governments, National Health Reform Agreement, 2 August 2011

[6] The figure of $565m referred to includes the audited $465m project and $100m for infrastructure that is outside the scope of our audit (see Table 1 in the Introduction). The $565m does not include the $21m allocated to the cancer centre.

been followed to identify the best solution. We also considered that although the size of the project budget was a political determination, sufficient work had been performed to make it likely that functional requirements could be met within that budget.

3 Were the governance arrangements appropriate?

3 Were the governance arrangements appropriate?

3.1 Background

The PM Guidelines define project governance as 'the process by which the project is directed, controlled and held to account'. In this Section we looked at whether:

- the project sponsor role was appropriately filled
- the business owner role was clearly defined
- the project management role had been appropriately resourced
- the project oversight role was appropriately structured
- necessary delegations had been established
- probity, audit, and legal advice functions had been resourced
- an adequate risk management framework had been established.

3.2 Was the project sponsor role appropriately filled?

PM Guidelines define the Project Sponsor as the link between the agencies seeking benefits from the project and the project itself. The role should be at managerial level or above in order to ensure that necessary resources are made available and to be able to visibly champion the project.

We noted that the Business Plan listed the Minister of Health and CEO–RHH (later, CEO THO–South) as Project Sponsors. In addition, chairs of the relevant user groups were identified as sponsors of component sub-projects.

In our view, the Project Sponsor role had been appropriately filled to provide the role envisaged by the PM Guidelines.

3.3 Was the business owner role clearly defined?

The PM Guidelines state that business owners should be involved in the project from the early conceptual stages and represent each major business unit that will have responsibility for managing any of the project outputs.

The guidelines define the business owner as being the agency responsible for managing the project outputs for utilisation by the project customers. Our interpretation of the business owner in this case is that it should be DHHS, the entity responsible for managing the building for its tenant, THO–South.

We found that business owners at the sub-project level had been defined in the Business Plan. However, no business owner was defined in the Business Plan for the overall project. During the audit, differing views were expressed as to the identity of the business owner:

- The December 2011, Terms of Reference for the PCG stated that the business owner was the CEO–RHH.
- The current Secretary of DHHS advised that he considered that the business owner was the CEO of THO–South.
- Reports from the Project Director to PCG identified the Secretary of DHHS as the Business Owner.

As stated above, our view is that the business owner should be the Secretary of DHHS.

In the early stages of the project, much of the management and steering of the project was effectively transferred to the client (RHH, now THO–South) as reflected by the Minister in Parliament[7].

DHHS was re-established in the business owner role through creation of:

- the ESC, chaired by Secretary of DHHS in December 2012
- a new Executive Director position in June 2013.

We consider that the lack of clarity for the business-owner role may have contributed to weaknesses in governance that are further discussed in Sections 3.4 and 3.5.

Despite the changes to establish DHHS in the role of business owner, that role has not been formally defined.

Recommendation 3 (for the RHH Redevelopment Project)

We recommend that the Secretary of DHHS be formally noted as the business owner of the RHH Redevelopment Project in the Business Plan and or Project Definition Plan.

Recommendation 4 (for future projects)

We recommend that the business owner for all projects should be clearly defined before or during the planning phase. Ideally, the business owner should have ownership or administrative control of the project assets.

[7] Hansard Budget Estimates: 4 June 2013

3.4 *Was the project management role appropriately resourced?*

The Project Manager is the key operational position of a project and is responsible for implementing the business plan. Responsibilities include directing project activities, quality management, preparation of plans and schedules, and regular reporting to oversight committees.

We were looking to ensure that the project manager position was filled at an appropriate level and supported by a project team with the skills and experience needed for a large and complex project.

The initial project manager was seconded from DHHS to the RHH redevelopment team. We consider that position was inappropriately positioned within RHH — a client organisation — rather than within DHHS. In September 2012, consultants reported similar concerns.

The 2010 Gateway review recognised a need for a higher skill level on the project team than current resources could provide, 'to ensure better coordination of DHHS planning and procurement of projects'[8].

The 2011 Gateway review found that the project was well managed, but similarly identified a need to engage additional qualified staff. This view was supported by a consultant's review in September 2012. Despite those resourcing issues, our view was that the initial design work was satisfactorily performed. However, the project appeared to lose momentum in 2012, with delays in finalisation of requirements and design.

In early 2013, a consultant was engaged to take the role of project manager, following the departure of the initial occupant.

In July 2013, a DHHS-based Executive Director was appointed. DHHS did not consider the new position a project manager role. Nonetheless, in our view the new position provides DHHS-based support to the project manager. This largely overcomes our previous criticism that the project manager role was at the wrong level. At the time of writing this report, there were indications of improved project management.

However, the Executive Director outlined a number of serious skill deficiencies in the project team. He considered that additional resources were needed, including design management, programming, decanting (relocating hospital staff and patients) and project documentation. The Executive

[8] Gateway reviews are described by the Victorian Government as a process where a team of external practitioners use their experience and expertise to provide the project owners with timely, independent and confidential advice at key decision points.

Director expressed concerns that skill deficiencies were likely to delay contract finalisation.

In summary, our view was that the initial design work was satisfactorily performed. However, project management issues appeared to have led to delays in finalising requirements and design. The resourcing issues also had the potential to delay signing of the Managing Contractor Contract.

In Section 4.2, we discuss the extent to which the project was on schedule as at October 2013.

Recommendation 5 (for the RHH Redevelopment Project)

We recommend that skill deficiencies in the project team be rectified as soon as possible.

Recommendation 6 (for future projects)

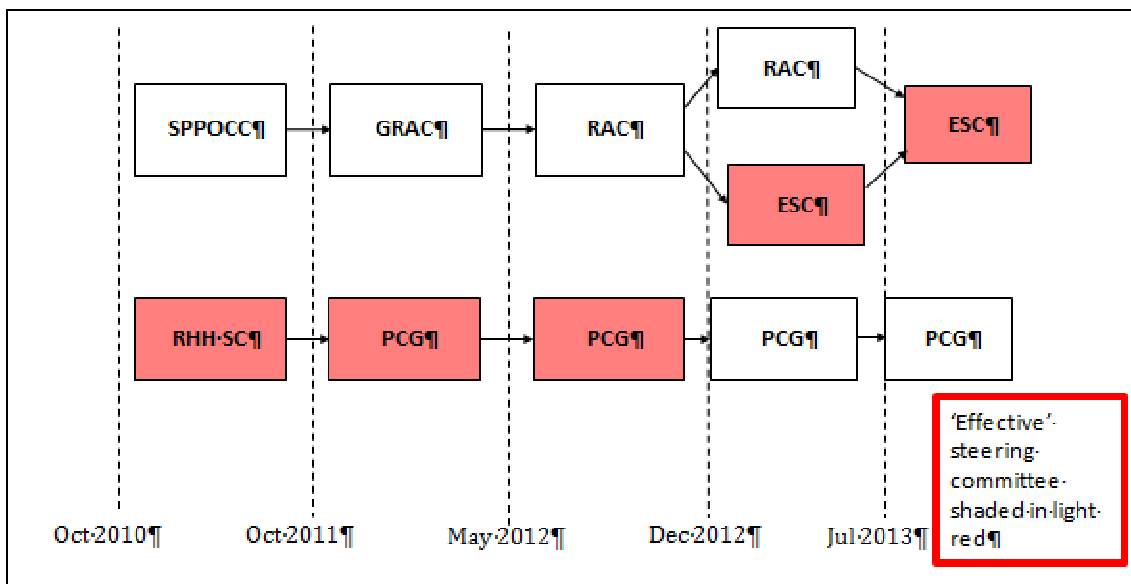
We recommend that the project manager and project team be organisationally aligned to the project owner.

3.5 Was the project steering role appropriately structured?

The role of a project steering committee is to provide management and guidance. Activities undertaken by a project steering committee should typically include approval of the project business plan and changes to the scope. The steering committee is also responsible for monitoring progress, budget and risk.

We found that six distinct committees had existed over the life of the project with oversight responsibilities. Figure 1 summarises the 'steering' role of the various oversight committees for the redevelopment project to date.

Figure 1: Steering and review committees[9]



In our opinion, there were too many reviews or steering committees over the life of the project to date. It was not obvious to us how they related to each other or who was effectively steering the project through the initial planning and design works. In particular, we thought that there was a lack of clarity over the roles of SPPOCC, GRAC and RAC.

For instance, we noted that although the PCG was the effective steering committee, December 2011 minutes expressed concerns that GRAC was not functioning with the authority to make decisions. On the other hand the Secretary of DHHS advised that GRAC was not a governance body and its members clearly understood its limited review role.

We were also concerned that, for the important requirement-definition and design stages of the project, the effective steering committee (PCG) appears to have been client-based and lacked significant major construction experience until the appointment of the new Executive Director in July 2013[10]. Moreover, it was

[9]

SPPOCC	Strategic Policy and Projects Oversight Committee of Cabinet
GRAC	Governance, Review and Advisory Committee
RAC	Review and Advisory Committee
RHH SC	RHH Steering Committee
PCG	Project Control Group
ESC	Executive Steering Committee

[10] The asset and the project to redevelop it belong to DHHS through the Crown. For our purposes, we regard the tenant, RHH (now part of THO-South) as a client. By 'client-based' we mean the majority of members represented the interests of RHH.

created at an operational level, rather than positioned to genuinely steer a major construction process.

Our view was backed by the September 2012 PM Consultant's report, which was critical that:

> The members of the PCG are [mainly] employees of RHH, reporting to the Chief Executive, which stifles discussion and independent advice, and it would be better to separate the project processes from ongoing RHH business activities.

We believe the above oversight concerns appear to have contributed to delays. On the other hand, early requirement definition and initial design work appear to have been satisfactorily performed, notwithstanding the mid-2013 decision to move to a reduced-footprint design.

We were satisfied the ESC had become the sole steering committee and that it had the diversity, experience and seniority to make it an effective body.

Recommendation 7 (for future projects)

We recommend that a single steering committee (rather than multiple oversight committees) be set up prior to project planning; that it should:

- **be organisationally close to the business owner**
- **have members with skills, seniority and experience commensurate with the magnitude and complexity of the project.**

3.6 Had necessary delegations been established?

We looked at whether adequate delegations had been established.

We found that there was no approved delegations instrument for the project until December 2012. We were variously advised that, prior to implementation of the delegations instrument:

- business of the project was conducted according to standard DHHS delegations
- PCG operated as the major decision-making body until December 2012.

An illustration of the difficulties caused by lack of formal delegations was that alternative designs were being obtained and submitted to government committees without any project delegations existing for their endorsement and recommendation.

Belatedly, a formal delegation instrument was approved in December 2012 and subsequently modified on appointment of the Executive Director in July 2013.

We consider the lack of formal project delegations until December 2012 to be unsatisfactory, and may have contributed to project delays in 2012.

Recommendation 8 (for future projects)

We recommend that instruments of delegation be established at the same time as, and in conjunction with, corporate governance arrangements for a project.

3.7 Were probity, audit, and legal advice functions resourced?

We found that:

- A probity plan had been developed. Although not followed in all respects, we were satisfied that probity had been adequately resourced.
- The RHH Redevelopment Risk Management Framework required annual review by DHHS Internal Audit. However, the reviews had not occurred.
- The Business Plan stated that Crown Law would provide legal advice on all contractual issues and be involved in selection of the Contract Management Consultant. We were satisfied legal advice was adequately resourced.

We were satisfied that probity and legal advice functions had been adequately resourced, but noted that the internal audit review had not been performed.

Recommendation 9 (for the RHH Redevelopment Project)

We recommend that all internal audit functions be performed in accordance with the approved plan.

3.8 Was there an adequate risk management framework?

Risk management is a key component of any project and attempts to identify risks and to prevent, reduce the likelihood, or minimise the impact of risks in a structured and systematic way.

We were satisfied a Risk Register had been developed, and that it recorded major risks and mitigation strategies including assignment of risks to appropriate people. Prior to inspecting the register, we 'brainstormed' twelve key risks and subsequently found that all had been included in the register, which gave us confidence that risk identification had been thorough.

On the other hand, we found no evidence of:

- independent quarterly reviews of the risk management practice, as required by the RHH Redevelopment Risk Management Framework
- annual review of the Risk Management Framework by DHHS Internal Audit as required by the framework.

In summary, the initial framework and risk management processes were well conducted. However, there have been breakdowns in review of the practice and of the framework.

Recommendation 10 (for the RHH Redevelopment Project)

We recommend that risk management reviews should be implemented in accordance with the approved framework or plan.

3.9 Conclusion

While governance roles were filled from the early stages of the project, governance was impaired by the following weaknesses:

- Despite the size and complexity of the project, the team operated under routine agency delegations until a dedicated Delegations Instrument was issued in December 2012.
- The project manager position was at too low a level for key stages of the project and inappropriately positioned within the client organisation.
- Skill and manpower shortages were identified in Gateway Reviews undertaken in both 2010 and 2011 and had persisted throughout the project.
- Too many oversight bodies existed creating confusion as to who was actually steering the project for some periods.
- Up until December 2012, the committee ‘steering’ the projects was inappropriately positioned within the client organisation.
- There were breakdowns in compliance with the risk management framework.

In summary, we consider that governance arrangements had been weak and in a state of flux during crucial planning and design periods.

Nevertheless, we accept that DHHS had made important progress in strengthening the project’s governance arrangements.

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4 Was project management effective?

4 Was project management effective?

4.1 Background

In this Chapter, we evaluate whether project management and initial implementation were sound. We looked at whether:

- milestones and work schedules were being met
- the project was expected to be completed on schedule
- the project was on budget
- concerns raised by external and other reviews had been actioned
- key documentation had been retained and was readily accessible.

4.2 Were milestones and work schedules being met?

Milestones were set in the IGA, and in the Business plan in the form of a work program. We reviewed minutes of PCG, RAC, ESC, Project Director's reports and progress reports provided to the Commonwealth to test progress against milestones and schedules.

We found that early milestones were largely completed on schedule. However, we also found that there had been substantial slippages in finalisation of design (12 months) and appointment of a managing contractor (14 months). In our opinion, reasons for slippages included:

- protracted process of obtaining sign-off by clinicians on each of the design options. Significantly, the work program did not include ratification of functional requirements by clinicians
- late development of the Delegation Instrument
- deficiencies in documentation of requirements
- client-based governance and project management until December 2012, followed by a 'handover' period in which ESC became the steering committee and an executive director was sought and appointed
- design work becoming more advanced than planning and governance. As a consequence, designs were being considered and evaluated without specific project delegations having been created.

We were not satisfied that the Business Plan defined enough meaningful milestones. We also noted that substantial slippages

had occurred in finalisation of design and appointment of a managing contractor.

Recommendation 11 (for the RHH Redevelopment Project)

We recommend that project milestones be revised following acceptance of the construction offer.

Recommendation 12 (for the RHH Redevelopment Project)

We recommend that high priority be given to project management to ensure no further slippage against milestones.

Recommendation 13 (for future projects)

We recommend that business plans for large projects contain sufficient milestones to allow for meaningful project management and reporting.

4.3 Was the project expected to be completed on schedule?

The 2011 IGA anticipated completion of the redevelopment in June 2016. Since then, substantial slippages against the work program had occurred as noted in Section 4.2. In this Section, we review the current status of the project and look at whether the project is still on track for completion in 2016.

On a positive note, we found that at the time of finalisation of this audit, (i.e. November 2013):

- An appropriately positioned steering committee was in place.
- The role of the Project Manager was supported by appointment of the Executive Director.
- Project delegations had been finalised.
- The design concept had received clinician endorsement.
- A managing contractor had been appointed to prepare a GCS offer by December 2013.

On the other hand, there were ongoing concerns that the project would need additional skilled resources in the categories of design management, construction programming, staging, decanting and documentation. In particular, there continued to be a need for the ESC to have its documentation concerns addressed, before it would approve acceptance of a managing contractor's GCS offer.

The 2013 IGA put back the expected completion date from 2016 to mid-2017. However, since then a revised construction

methodology had been proposed, which could potentially restore the possibility of completion in 2016.

The revised methodology involved decanting all occupants of the relevant hospital building to alternative facilities, with building work to possibly commence in October 2014. DHHS had recognised that the revised approach would require agreement with THO–South. However, individual members of the ESC had raised concerns that a satisfactorily costed decanting plan had not yet been developed. In addition, with the GCS now being developed on the basis of decanting Block B, there was no fall-back position for the GCS if the decanting option proved unviable.

In summary, it appeared possible that a 2016 completion might be possible, but many issues needed to be resolved for that to occur.

4.4 Was the project on budget?

PM Guidelines recommend a detailed budget should be developed in the set-up stage of a project to reflect the resources required to complete the activities and tasks of the project.

We looked to see if a budget had been set early in the project plan, whether the project was on budget and whether any variations had been approved and documented.

We found that the:

- Original budget had been determined ($465m in the 2010 business case).
- Budget had been revised to $480m in the draft Project Definition Plan of May 2013 (an increase of 2.6 per cent).
- Actual expenditure to September 2013 was $22.6m (or 4.7 per cent) of the revised budget (Executive Director's Project report).

In May 2013, it was recognised that proposed work, as then scoped and designed, appeared likely to exceed the budget by $7.4m. Subsequently, the steering committee signed-off on a final design of 10 floors with a 'reduced footprint'.

Based on that amended design, and other efficiencies, we conclude that steps have been taken to ensure the project remains on budget.

4.5 Had concerns raised by external and other reviews been actioned?

We found that the project team was maintaining a list of all issues raised in project consultants' reports between December 2011 and August 2013.

The reports included reviews by:

- Gateway Review (December 2011)
- NSW – ERG (August 2012 and 2013)
- a project management consultant (September 2012).

As at October 2013, 40 of 61 issues listed had been resolved. Of those outstanding:

- Sixteen involved provision of the latest or an updated version of an existing document.
- One required ratification by PCG because of the July 2013 change to a smaller-footprint design.
- Two involved significant analytical work (to demonstrate compliance or underpin the basis for design decisions) and we verified that these matters were progressing.
- Two were minor matters currently underway.

We also noted that the Executive Director had written to DHHS in October 2013, requesting additional staff to perform outstanding work.

In our opinion, the above findings are evidence that DHHS had a commitment to resolve outstanding issues and concerns raised by review bodies. On the other hand, there was substantial work remaining with many documents requiring update.

We found concerns raised by review committees and project consultants had not yet been adequately resolved.

Recommendation 14 (for the RHH Redevelopment Project)

We recommend that there be regular reporting to the ESC on implementation of the recommendations of review bodies.

Recommendation 15 (for the RHH Redevelopment Project)

We recommend that high priority be given to resolving outstanding issues or concerns.

4.6 Was key documentation retained and readily accessible?

During the audit, we were able to locate routine documentation such as status reports and minutes of meetings. However, we

noted that ESC members were dissatisfied with responses to specific requests, such as evidence of:

- satisfactory resolution of all matters raised in expert reports
- details of furniture, fittings and equipment
- information and communications technology planning
- scheduling management.

In summary, we found routine documentation management was satisfactory. However, ESC concerns indicated a need for improved provision of non-routine documentation.

Recommendation 16 (for the RHH Redevelopment Project and future projects)

We recommend that processes be put in place to better respond to steering committee concerns.

4.7 Conclusion

Milestones and work schedules were being met in the early stages of the project including the initial design work. However, substantial slippages had occurred in finalising the design and appointing a managing contractor.

In mid-2013, there were concerns that proposed work, as then scoped and designed, appeared likely to exceed the budget. However, redesign of the redevelopment, with a reduced 'footprint' and other efficiencies had the project estimate back on budget.

It also appeared that a 2016 completion might still be possible, but many issues needed to be resolved including provision of better documentation to oversight committees.

5 Was there adequate monitoring and reporting?

5 Was there adequate monitoring and reporting?

5.1 Background

To assess the adequacy of monitoring and reporting, we evaluated whether:

- Regular status reports had been prepared and distributed.
- Status reports included sufficient information.
- The Commonwealth and State governments received regular progress reports.

5.2 Had regular status reports been prepared and distributed?

Status reports are an integral component of major projects and serve to keep key governance bodies informed of progress, risks and issues. They also represent a vital element of project documentation to ensure that lessons are learned from the mistakes and success of the project with a view to continuous improvement.

The frequency of status reporting depends on the size of the project, and the communication needs of governance positions, and can vary depending on the current stage of the project. We regarded a month as a minimum frequency given the high materiality and risk of the project.

We found that status reports for the Commonwealth had been prepared quarterly as required, since September 2011.

However:

- Internal status reports were only located for nine of the 14 months up until June 2013.
- ESC minutes from February 2013 to May 2013 made no mention of status reports. We consider that a formal record of consideration of the reports an important component of project documentation.

In summary, status reports were not sufficiently regular for a project of this scale and risk. Also, there were indications that, in early 2013, status reports may not have been receiving due consideration.

Recommendation 17 (for future projects) **We recommend that regular status reports be prepared at regular intervals and formally considered by oversight committees.**

5.3 Did status reports include sufficient information?

Information required in project status reports depends on many factors including, specified requirements of governance bodies, risk status of project activities, variation from the budget and many other factors.

A problem we faced in determining whether status reports held sufficient information was that these reports were one of our main sources of project information. That made it difficult to objectively assess whether the reported information was complete.

Our approach in forming an opinion as to the adequacy of reporting was based on determining:

- whether status reports included key categories of information as recommended by the PM Guidelines, including milestones, budget, issues and risk
- the satisfaction level of major users and reviews.

We found:

- Quarterly reports to the Commonwealth covered our major information categories.
- Internal status reports provided to the oversight committees (PCG and RAC) covered major information categories. However, despite general discussion of progress, there was little or no information to enable review against milestones.
- Up until March 2013, coverage was high-level and brief. In response to criticisms by oversight bodies and external reviews, reports became more comprehensive.

In summary, status reports included necessary categories of information, but until March 2013, were too brief for a project of this magnitude and risk. Also, the gaps discussed in Section 5.2 and the brevity of reports discussed in this section, will make it difficult to learn lessons from this project for management of future projects.

Recommendation 18 (for future projects)

We recommend that the detail contained in status reports should be commensurate with the size and complexity of the project.

5.4 Did the Commonwealth and State governments receive regular progress reports?

We looked at whether progress was being reported to the Minister, to Parliament and the Commonwealth. We found DHHS provided the following reports as required:

- DHHS Annual Report
- Tasmanian Minister for Health
- Commonwealth Minister for Health and Aging.

5.5 Conclusion

The Commonwealth Government and the State Minister for Health had been provided with regular progress reports.

However, we found significant gaps in provision of 'monthly' status reports to steering and review committees. We also found that up until March 2013, project status reports were too brief.

Independent auditor's conclusion

Independent auditor's conclusion

This independent conclusion is addressed to the President of the Legislative Council and to the Speaker of the House of Assembly. It relates to my performance audit of the governance and project management of the redevelopment of the Royal Hobart Hospital (RHH).

Audit objective

The objective of this audit was to form an opinion as to the effectiveness of the governance, project management and initial implementation of the RHH redevelopment project.

Audit scope

This audit examined governance arrangements including project justification, planning, project and budget management, stakeholder management and project implementation.

Individual projects examined, (collectively referred to as the RHH redevelopment), included the:

- Women and Children's precinct ($100m)
- RHH redevelopment including erection of new buildings ($365m).

The audit did not include the:

- 'Keep safe and operational' program ($100m)
- upgrade to the cancer centre ($21m).

The audit was unusual in that it was looking at an ongoing project, which was subject to change right up to the reporting date. I considered changes to project governance and project management up until 31 October 2013.

In developing the scope of this audit and completing my work, the Department of Health and Human Services (DHHS) and Tasmanian Health Organisation – South provided me with all of the information that I requested. There was no effort by any party to the audit to limit the scope of my work. This Report is a public document and its use is not restricted in any way by me or by any other person or party.

Responsibility of the Secretary of the Department of Health and Human Services

The Secretary is responsible for ensuring implementation of appropriate governance and project management arrangements and that the Royal Hobart Hospital redevelopment is completed within the agreed terms contained in the Inter-Governmental Agreement.

Auditor-General's responsibility

In the context of this performance audit, my responsibility was to express a conclusion on the effectiveness of the governance, project management and initial implementation of the RHH redevelopment project.

I conducted my audit in accordance with Australian Auditing Standard ASAE 3500 *Performance engagements*, which required me to comply with relevant ethical requirements relating to audit engagements. I planned and performed the audit to obtain reasonable assurance that the Secretary had implemented appropriate governance and project management arrangements.

My work involved obtaining evidence of management putting in place satisfactory governance and project management arrangements.

I believe that the evidence I obtained was sufficient and appropriate to provide a basis for my conclusion.

Auditor-General's conclusion

Based on the audit objective and scope and for reasons outlined in this Report, it is my conclusion that, in all material respects:

- Governance arrangements had been weak and in a state of flux during crucial planning and design periods. However, important progress was made in strengthening the project's governance arrangements.
- There were significant gaps in provision of status reports to steering and review committees and, up until March 2013, project status reports were too brief.
- Milestones and work schedules were being met in the early stages of the project including the initial design work. However, substantial slippages occurred in finalising the design and appointing a managing contractor.

My report contains 18 recommendations 10 of which related specifically to the RHH redevelopment and nine to future projects (one recommendation applied to both) which were aimed at improving governance and project management of the RHH redevelopment and similar projects.

H M Blake

Auditor-General

16 January 2014

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Recent reports

Recent reports

Tabled	No.	Title
Jul	No. 1 of 2012–13	Sale of TOTE Tasmania
Oct	No. 2 of 2012–13	TasPorts: benefits of amalgamation — October 2012
Nov	No. 3 of 2012–13	Volume 3 — Government Business Enterprises, State Owned Companies and Water Corporations 2011–12
Nov	No. 4 of 2012–13	Volume 4 Parts 1 & 2 — Local Government Authorities 2011–12
Nov	No. 5 of 2012–13	Volume 1 — Analysis of the Treasurer's Annual Financial Report 2011–12
Nov	No. 6 of 2012–13	Volume 2 — Executive and Legislature, Government Departments, other General Government Sector State entities, other State entities and Superannuation Funds 2011–12
Dec	No. 7 of 2012–13	Compliance with the *Tasmanian Adult Literacy Plan 2010–15*
Mar	No. 8 of 2012–13	National Partnership Agreement on Homelessness
Mar	No. 9 of 2012–13	Royal Derwent Hospital: site sale
May	No. 10 of 2012–13	Hospital bed management and primary preventive health
May	No. 11 of 2012–13	Volume 5 — Other State entities 30 June 2012 and 31 December 2012
Aug	No. 1 of 2013–14	Fraud control in local government
Nov	No.2 of 2013–14	Volume 1 — Executive and Legislature, Government Departments, Tasmanian Health Organisations, other General Government Sector State entities, Other State entities and Superannuation Funds
Nov	No.3 of 2013–14	Volume 2 — Government Businesses, Other Public Non-Financial Corporations and Water Corporations
Dec	No.4 of 2013–14	Volume 3 — Local Government Authorities
Dec	No.5 of 2013–14	Infrastructure Financial Accounting in Local Government

Current projects

Current projects

Performance and compliance audits that the Auditor-General is currently conducting are as shown below:

Title	Audit objective is to ...	Annual Plan of Work 2013–14
Alcohol, Tobacco and Other Drug Services: five-year plan	... examine whether the Department of Health and Human Services has implemented the strategies listed in the *Alcohol, Tobacco and Other Drug Services, Tasmania: Future Service Directions — a five year plan, 2008/09 – 2012/13.*	Page 10, Topic No. 4
Radio communication networks	... assess the efficiency and effectiveness of the current radio communications networks used by police and other emergency service personnel.	Page 10, Topic No. 2
Police response to serious crime	... assess the effectiveness of police investigations into serious crime, including preparation of prosecution briefs and actions undertaken to reduce the incidence of serious crime.	Page 12, Topic No. 5
Security of Information and Communications Technology (ICT) infrastructure	... assess the effectiveness of security measures for ICT infrastructure and its functionality.	Page 11, Topic No. 3
Processes to ensure teacher and teaching quality in public high schools	... assess the quality of teaching in public high schools.	Page 11 Topic No.2
Motor vehicle fleet usage and management	... determine whether use by selected government departments of vehicles is effective, efficient and economic. The audit will also consider allocation and use of motor vehicles complies with government guidelines and whether fleets are properly managed.	Page 13, Topic No. 2

Follow up audit	... ascertain the extent to which recommendations from reports tabled from October 2009 to September 2011.	Page 12 Topic No. 4
Quality of Metro services	… look at the quality of public transport services provided by Metro Tasmania.	Page 12 Topic No.8

Audit Mandate and Standards Applied

Mandate

Section 17(1) of the *Audit Act 2008* states that:

> 'An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.'

Under the provisions of section 18, the Auditor-General:

'(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).'

Under the provisions of section 19, the Auditor-General:

'(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.'

Standards Applied

Section 31 specifies that:

'The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity;

(b) the Australian Auditing and Assurance Standards.'

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.

Tasmanian
Audit Office

Photo supplied by the Department of Health and Human Services

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