Australian Government

**Department of Infrastructure,
Transport, Regional Development,
Communications and the Arts**

EXECUTIVE MINUTE

on
JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT *No. 492*
Governance in the Stewardship of Public Resources

General comments

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) provides the following information in relation to *Report No. 492 - Governance in the Stewardship of Public Resources* (the Report).

Following the findings of the Australian National Audit Office (ANAO) performance audit of the Leppington Triangle land purchase, the then Secretary initiated two independent reviews into the circumstances surrounding the Leppington transaction beyond what is in the ANAO Report:

- an internal audit of the conduct of the Leppington Triangle transaction to identify any further areas for improvement, undertaken by Sententia Consulting
- an independent review by KPMG into the former Western Sydney Unit's systems, process, culture and capabilities.

These reports provide a full and detailed account of the events and circumstances surrounding the Leppington transaction. The department has carefully considered the information contained in the reports and has undertaken significant work to ensure that all the important lessons to be learnt have been realised.

The department now operates with a joined-up branch responsible for assurance, integrity, risk and governance. The branch oversees the department's Risk Culture and Awareness Strategy, Integrity Strategy and the Records Integrity Program, which is due for completion in the first half of 2023.

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Response to each specific recommendation

Recommendation No: 11.

The Committee recommends that the Department of Infrastructure, Transport, Regional Development and Communication provide details of:

- its implementation plan in response to the Sententia and KPMG review recommendations, including implementation timeframes; and
- how the department will drive any necessary organisational cultural change, based on findings of the KPMG review.

Summary of response: agreed, agreed with qualification, or not agreed

- Agree. A significant amount of work has been undertaken to ensure the department's risk, assurance and governance arrangements are fit for purpose. All the recommendations from Sententia internal audit, further informed by the considerations and suggestions from the KPMG report, were agreed to. The implementation of these recommendations is being monitored by the department's Audit and Risk Committee (ARC). A summary of the status, actions taken against each of the recommendations and implementation timeframes is outlined below under supporting rationale.
- Agree. Organisational change has already been seen through the work done to implement the findings of the ANAO audit and Sententia internal audit. With the implementation of the internal audit recommendations nearing completion, the department is now focused on continuous improvement in relation to assurance, integrity and risk through the development of a Risk Culture and Awareness Strategy and an Integrity Strategy.

Supporting rationale:

The department has undertaken significant work to implement the recommendations from the Sententia internal audit. A summary of the actions taken against each of the recommendations is below:

Recommendation	Status
1. The department strengthen its capability in managing land acquisitions, in particular where the strategy involves agreement with private landowners.	Completed - Closed. • Meeting and Communicating with Interested Parties guidance has been developed. At the time of release, all SES officers were provided training and the guidance is included in SES briefing packs. It is available to all staff via the intranet. • Accountable Authority Instruction (AAI) on Managing Relevant Property has been updated to include Operational Committee consideration and is available to all staff via the intranet.

Recommendation	Status
	• Land Interests Guidance, that assist staff in the acquisition or disposal by the department of interests in land, has been developed and is available to all staff via the intranet. • Procurement of valuation advice, including determining the type and scope of the valuation and the review of valuation reports has been published and is available to all staff via the intranet.
2. The department require all material, high-risk (or sensitive) land acquisitions and procurements to be considered by the Operations Committee as a form of quality assurance and peer review of process and outcome.	Completed - Closed. • Operations Committee consideration is now required for all land acquisitions and disposals. • Templates available to support the consideration of land-related transactions by the Operations Committee. • Procurement and Probity AAIs updated to reflect changes. • High Risk High Value Policy and Guidelines have been developed and are available to all staff via the intranet. • The Land Interests Guidance has been updated to reflect this position.

3. The department should strengthen its guidance on the achievement and demonstration of value for money, to improve decision making and maximise the impact of its investments.	Completed - Closed.
	• Procurement documentation updated to include information on Value for Money. This includes:
	  o 10 Step procurement process with supporting tools and templates that reference value or money and Efficient, Effective, Economical and Ethical Procurement.
	  o A Procurement Guide, which addresses value for money considerations, has been published and is available to all staff via the intranet.
	  o SES Information Session on the considerations of Value for Money in Procurement and Contracting Activities.
	  o Procurement Essentials training available to all staff.
	• Developed "Procurement Tips: Value for Money", which is available to all staff via the intranet

Recommendation	Status
4. The department consider the lessons from this transaction in future strengthening of its program and project governance arrangements.	In progress. • Governance boards are operating for key programs and projects across the department including in the areas of infrastructure, aviation, regional development and ICT. These governance boards are focused on improving strategy and coordination of planning, investment appraisal, and program management activities. • Internal audit assurance activities have been targeted to program management and delivery over the last financial year, including in the aviation, ICT and communications areas. • The department is establishing a Project Management Office (PMO), to enhance project management capability and capacity across the organisation. The PMO will oversee consistent project reporting and undertake analysis to support executive decision making.
5. The department consider the lessons from this transaction in future improvement to its risk, control and assurance framework to support decision-making and the achievement of objectives.	Completed - Closure report to be considered at December Audit and Risk Committee (ARC) meeting. • The department's risk appetite and tolerance statements have been reviewed to ensure they remained current and reflected the department's risk appetite and tolerance. • A Risk Culture and Awareness Strategy has been developed. The Strategy articulates the department's target risk culture and outlines the change initiatives required to achieve the target risk culture. • Enterprise and program risks are reviewed on a regular basis and reported to the Executive Leadership Team for oversight and approval. • Performance measures have been reviewed to enhance the alignment between the department's purposes, key activities and outputs.
6. The department continue to reinforce values and behaviours in connection	Completed - Closure report to be considered at December ARC meeting.

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Recommendation	Status
with probity, quality, teamwork and risk management.	• Departmental values, developed in consultation with staff, incorporate both behavioral and professional capabilities and were embedded across the department through the Living our Values Action Plan • Probity arrangements, including the AAI and supporting guidance, have been updated. Changes have been communicated with staff and the information is available to all staff via the intranet. • A Risk Culture and Awareness Strategy has been approved, which articulates the Department's target risk culture and outlines the change initiatives required to achieve the target risk culture. • An Integrity Strategy has been developed which aims to engage and empower staff, through knowledge and accountability, to consider integrity and risk on a daily basis, while undertaking all departmental business activities
7. The department establish thresholds (based on risk and value) for the requirement for appointment of a probity adviser and/or probity auditor for major land acquisitions and procurements.	Completed - Closed. • The department's AAI for Probity has been updated to provide guidance (based on risk and value) for the appointment of external probity advice for procurements. • A probity framework, task checklist and plan templates have been incorporated into procurement guidance available to all staff via the intranet. • Conflict of Interest quick guide has been developed and is available to all staff via the intranet. • The Operations Committee reviews all acquisitions and disposals of interests in land and/or buildings before the decision maker exercises their authority. • Probity function now resides in the Assurance, Integrity, Risk and Governance Branch.
8. The department improve its record keeping practices, in particular to ensure that there is sufficient	In progress.

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Recommendation	Status
transparency over key decisions, including the use and availability of contemporaneous notes and other supporting evidence.	• Work to improve the department's record keeping practices is currently underway: o Implementation of the new Records Workspace system has commenced and is due to be finalised by the end of April 2023. o Ongoing education and change management processes will continue throughout the implementation. - A four-week, all-staff education campaign on recordkeeping responsibilities was undertaken in May 2022. o Record Keeping AAI under development.

The KPMG report noted areas of concern, similar to Sententia, relating to leadership change, lack of focus on routine tasks and the effective management of operational risks.

The Review made a number of considerations and observations under five themes:

- Fit for purpose leadership for complex settings
- Establishing ways of working to reflect complex environments
- Fostering high performing teams
- Actively managing transitions of projects
- Establishing the right project structures, operating practices, systems and assurance mechanisms

The department supported the insights from the report, and used these to further build on the work that was underway, including implementing the recommendations made by Sententia.

Signed by

Accountable Authority of the Department of Infrastructure, Transport, Regional Development, Communications and the Arts

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