

# MEDIA STATEMENT



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## AUDITOR GENERAL FINDS SIGNIFICANT FAILINGS ON PERTH ARENA PROJECT

Auditor General Colin Murphy today reported significant failings in the planning and management of the Perth Arena project.

In his report, The Planning and Management of Perth Arena, Mr Murphy found that governance, oversight, project management and administration were inadequate, and normal processes were not followed.

"The initial estimates of the cost and opening date for the Arena were unrealistic and made before the project was well understood or defined," Mr Murphy said.

"The effect of these failings has resulted in the Arena project budget increasing to \$483 million, three times more than originally budgeted and scheduled to open in November 2011, almost three years later than planned.

"There also remains a risk of further delays and cost increases."

The project was not properly scoped or planned, with key parts of normal processes being skipped or rushed. The tender process and negotiations were conducted more quickly than normal, and there was little consideration of the potential risks to the State or any alternative options to the final tender offer.

To reduce the price, the Department of Housing and Works (DHW)\* agreed to a contract with the successful tenderer that differed from their original requirements, with the State taking responsibility for cost increases and delays resulting from design changes.

The reduction in the contract price has been negated by subsequent cost increases and extensions of time to complete the Arena.

"Major changes to the Arena design were made during contract negotiations without a good understanding of what this would cost or the impact on the project schedule. These have resulted in cost increases and delays" Mr Murphy said.

"The contract price was at risk from the start."

The contract price contained provisional sums for design changes that could not be adequately costed including the car park, which was provisionally going to cost \$20 million but has cost \$54 million. The final price also assumed that \$34m would be saved through 'design engineering' but only \$2 million has been actually achieved.

The significant changes to the contract and resulting risks were not reported in writing to the Minister and Cabinet so their decisions may not have been fully informed.

"DHW did not implement governance and project management arrangements required to control a major project like the Arena," Mr Murphy said.

"A lack of transparency and oversight on the Arena project meant that warning signs of the project going wrong were not heeded and opportunities to put the project back on track were missed.

"The lack of documented evidence means the agency can not explain how and why key decisions were made, or who made them. That is wholly unsatisfactory.

"Parliament and the community need to know that the state's resources are well managed and that they are getting the best value for their dollar. I can't provide that assurance on this project," he said.

The report found that changes since December 2008 to the governance arrangements and increased project management resources through the Office of Strategic Projects have strengthened the Perth Arena project, although some risks remain to the timely completion of construction and a smooth transition to operation.

"Agencies need to learn the lessons from the Arena for other capital works projects, and all agencies must ensure that they can provide clear accountability for how they spend taxpayers money.

"The focus for the Arena project now needs to be on successfully completing construction and fit out and opening what I hope will be a great venue for the community to use."

The Auditor General's report, including a summary of findings and recommendations, can be viewed at [www.audit.wa.gov.au](http://www.audit.wa.gov.au)

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\*The Department of Housing and Works (DHW) was responsible for scoping, planning, tendering and contracting for the Arena. In December 2007 responsibility for the delivery of the Arena was transferred to the Office of Strategic Projects (OSP) who reported directly to the Minister for Housing and Works. Construction work had already commenced when responsibility was transferred to OSP. Responsibility for all works projects has since moved into the Department of Treasury and Finance (DTF) along with OSP which has been renamed DTF Strategic Projects.

The building contractor is BGC Construction, which is part of the BGC (Australia) Pty Ltd group of companies. The WA Sports Centre Trust trading as VenuesWest is the client agency for the Arena project, and is responsible for fitting out and operating the Arena. VenuesWest is running a procurement process to engage an operator.

This examination involved three agencies:

- staff and records of the former Department of Housing and Works (DHW)
- the Department of Treasury and Finance (DTF)
- WA Sports Centre Trust (trading as VenuesWest), a statutory authority.