

# MEDIA STATEMENT



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## **AUDITOR GENERAL FINDS SIGNIFICANT COST VARIANCES AND CALLS FOR GREATER TRANSPARENCY FOR MAJOR CAPITAL PROJECTS**

In his latest report tabled in Parliament today, Auditor General Colin Murphy has provided an examination of government's 20 highest value non-residential building projects and highlights the extent and reported causes of variances from the original approved budgets and expected completion dates.

Mr Murphy has used the report to call for greater transparency on the status of major capital projects.

"Currently Parliament and the community must search various different information sources and even then may only get a limited understanding of progress against cost and time targets.

"Project performance should be reported against the original approved timeline and budget rather than the current practice of inconsistent and disparate information provided on individual agency websites or annual reports."

In tracking the status of the State's top 20 highest value non-residential capital projects, Mr Murphy found the total expected cost variance was significant.

He said the estimated cost of the 20 projects reviewed was \$6.157 billion which was \$3.275 billion (114 per cent) more than the total original approved budget estimates.

"The total cost variance for the 20 projects in the report is significant, however this headline figure alone is not especially useful in identifying how performance might improve – analysing the variance is more useful," Mr Murphy said.

"Ninety per cent of the cost variance occurred during the evaluation phase of projects when scope and costs are being more accurately defined.

"Only 10 per cent of the variance occurred after the project had been fully scoped and costed.

"This indicates that projects can be, and often are, effectively controlled once realistic scope, cost and time parameters have been defined."

Mr Murphy explained that cost variance can have a major impact on government strategic planning and the accuracy of the budget forward estimates. Once a project is in the state budget funding is effectively ring-fenced and cannot be spent on other government priorities. If the project is subsequently delayed and/or the expected cost increases, the project has to be cancelled, its scope reduced or additional money has to be found.

"Variance occurs for a range of reasons including scope changes driven by improved project definition, changes in governments and their priorities and the availability of additional funding.

"Variances also occur because announcements on budgets and timelines are made before project evaluations are completed, which significantly increases the risk that budgets and timelines will be exceeded and public expectations will not be met."

Mr Murphy also found that fifteen of the 20 projects were expected to be delivered later than initially planned with delays ranging from one to 62 months with an average of 16 months.

“It is critical to project performance to get the early stages right,” he said.

“A sound asset management framework and robust planning need to be consistently applied across all major projects to ensure investment decisions are well informed and project expectations are realistic.

“Fixing projects gets harder as they progress and, as a number of projects in the report show, the impact of departing from good process at the start stays with them.

“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 – without the appropriate asset management and planning in place, this assurance cannot be given.

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

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

ENDS

## Page 30 of the report – The Top 20 Highest Value Non-residential Building Projects:

Project	Client agency	Estimated total cost \$m
Acacia Prison Expansion	Department of Corrective Services	126.00
Agriculture Headquarters Redevelopment including Australian Export Grains Innovation Centre	Department of Agriculture and Food WA	235.00
Albany Health Campus Redevelopment	Department of Health	170.80
Busselton Health Campus	Department of Health	120.40
Central Energy Plant QEII Medical Centre	Department of Health	225.20
Central Law Courts Refurbishment	Department of the Attorney General	59.40
Eastern Goldfields Regional Prison	Department of Corrective Services	232.00
Fast-Track Prison Accommodation	Department of Corrective Services	75.05
Fiona Stanley Hospital	Department of Health	1 719.80
Governor Stirling Senior High School	Department of Education	63.00
Joondalup Health Campus – Stage 1 Redevelopment	Department of Health	229.80
Karratha Health Campus	Department of Health	207.20
Midland Health Campus	Department of Health	360.20
New Children’s Hospital	Department of Health	1 168.70
PathWest Laboratory Medicine WA Stage 1	Department of Health	59.80
Perth Arena	Venues West	548.70
Perth Police Complex	WA Police	92.80
Perth Rectangular Stadium Redevelopment (Perth Oval)	Department of Sport and Recreation	102.60
State Rehabilitation Service	Department of Health	239.00
West Kimberley Regional Prison	Department of Corrective Services	122.00
	<b>TOTAL</b>	<b>6 157.45</b>

Source: Department of Treasury and Department of Finance