26 October 2016 | *High Value High Risk 2016–17: Delivering HVHR Projects*

VAGO
Victorian Auditor-General's Office

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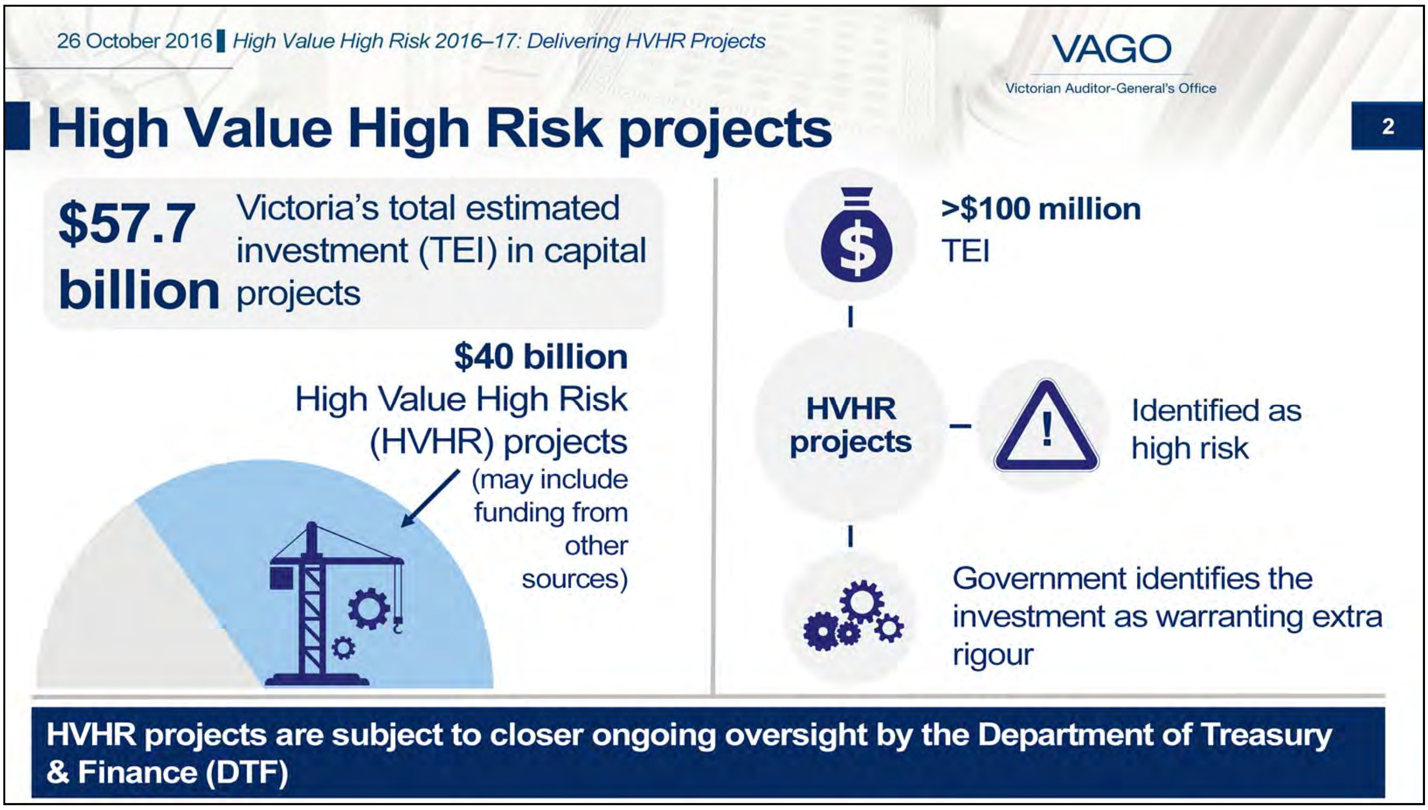
High Value High Risk 2016–17: Delivering HVHR Projects

Tabled 26 October 2016

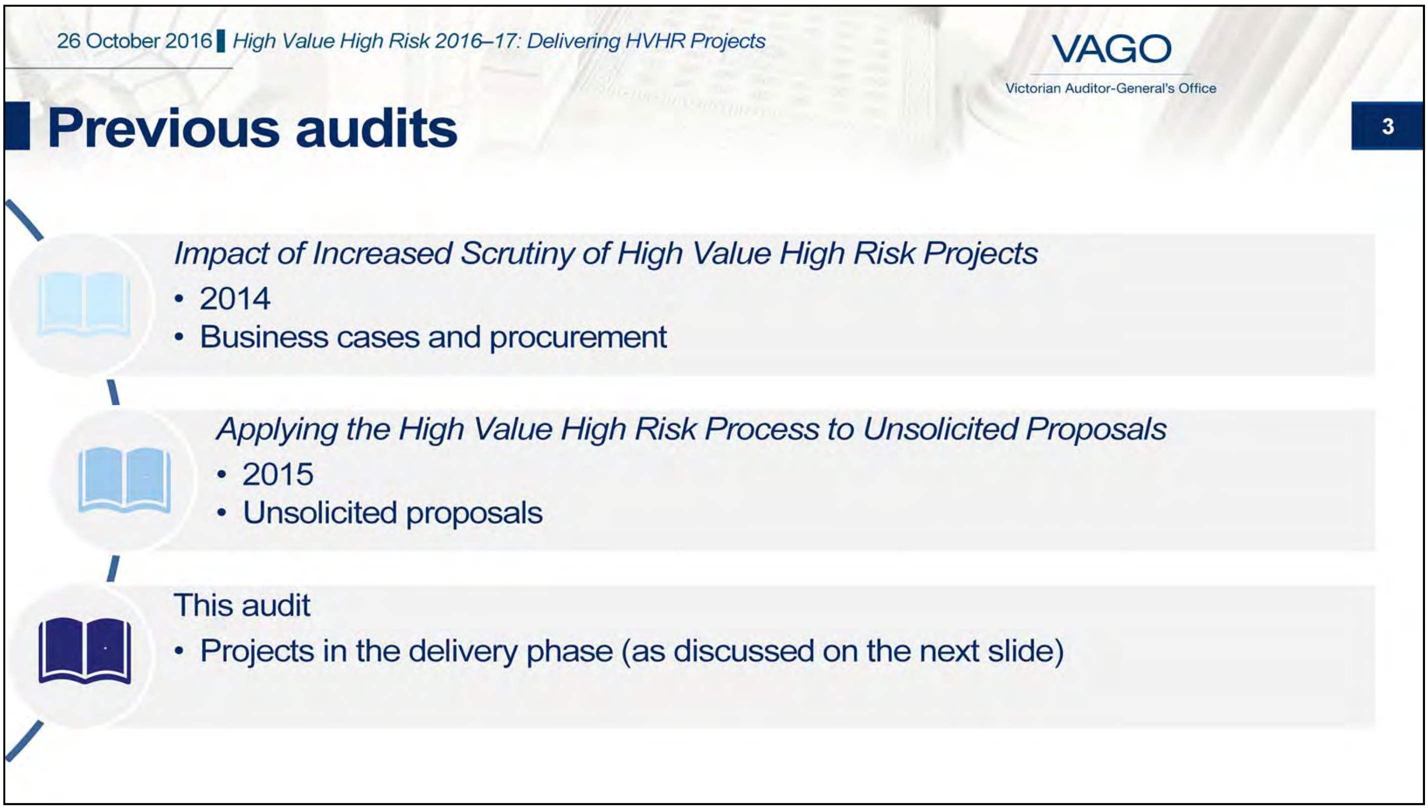
This presentation provides an overview of the Victorian Auditor-General's report *High Value High Risk 2016–17: Delivering HVHR Projects.*



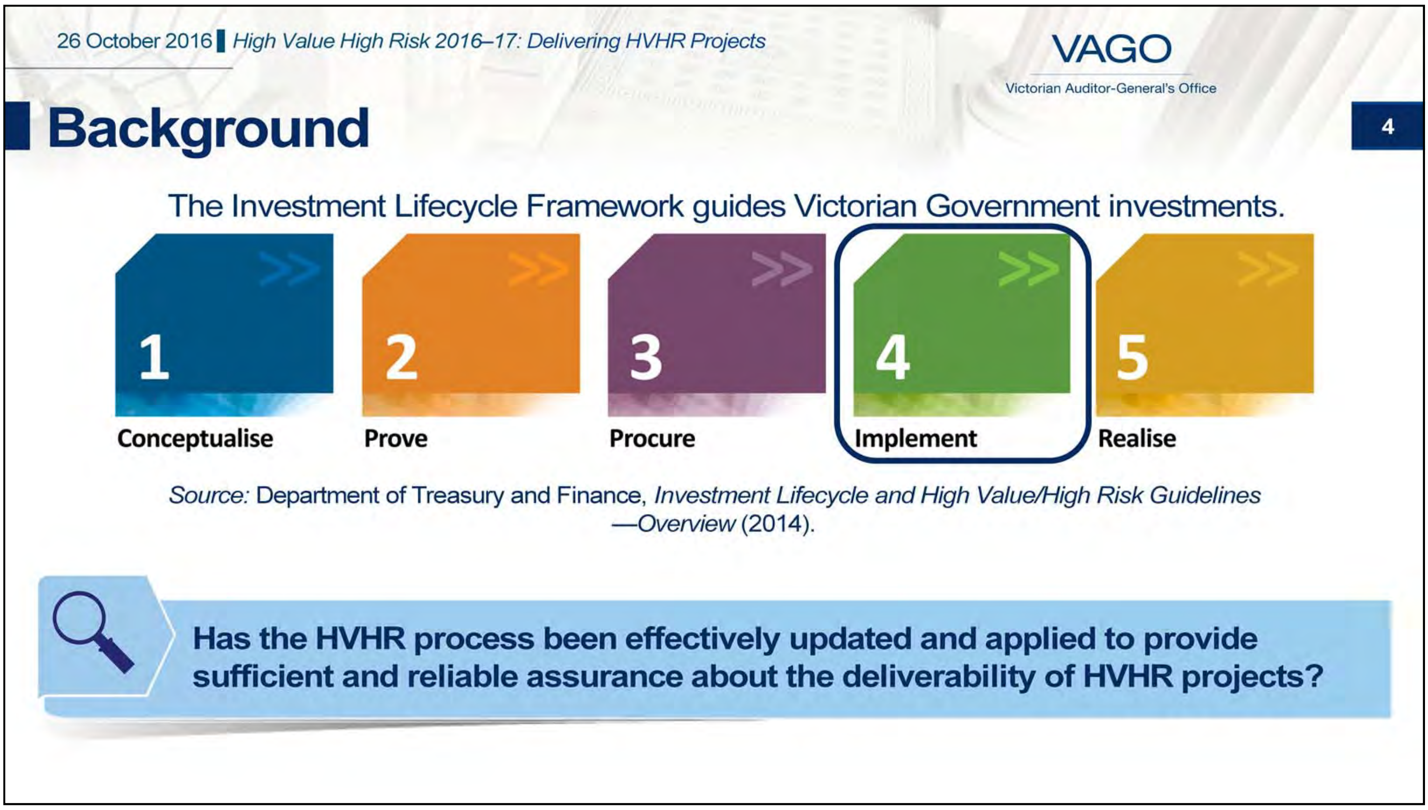
Victoria's total estimated investment (TEI) in new and existing capital projects in the 2016–17 Budget Papers is $57.7 billion. In June 2016 the TEI of high value high risk (HVHR) projects was around $40 billion.

A project is classified as HVHR if its TEI is greater than $100 million and funded through the budget process, if it is identified as 'high risk' through a risk assessment process, or if the government feels the project warrants extra rigour.

The government introduced the HVHR process in 2010 to address systemic weaknesses that undermine agencies' investment in and development of major projects.

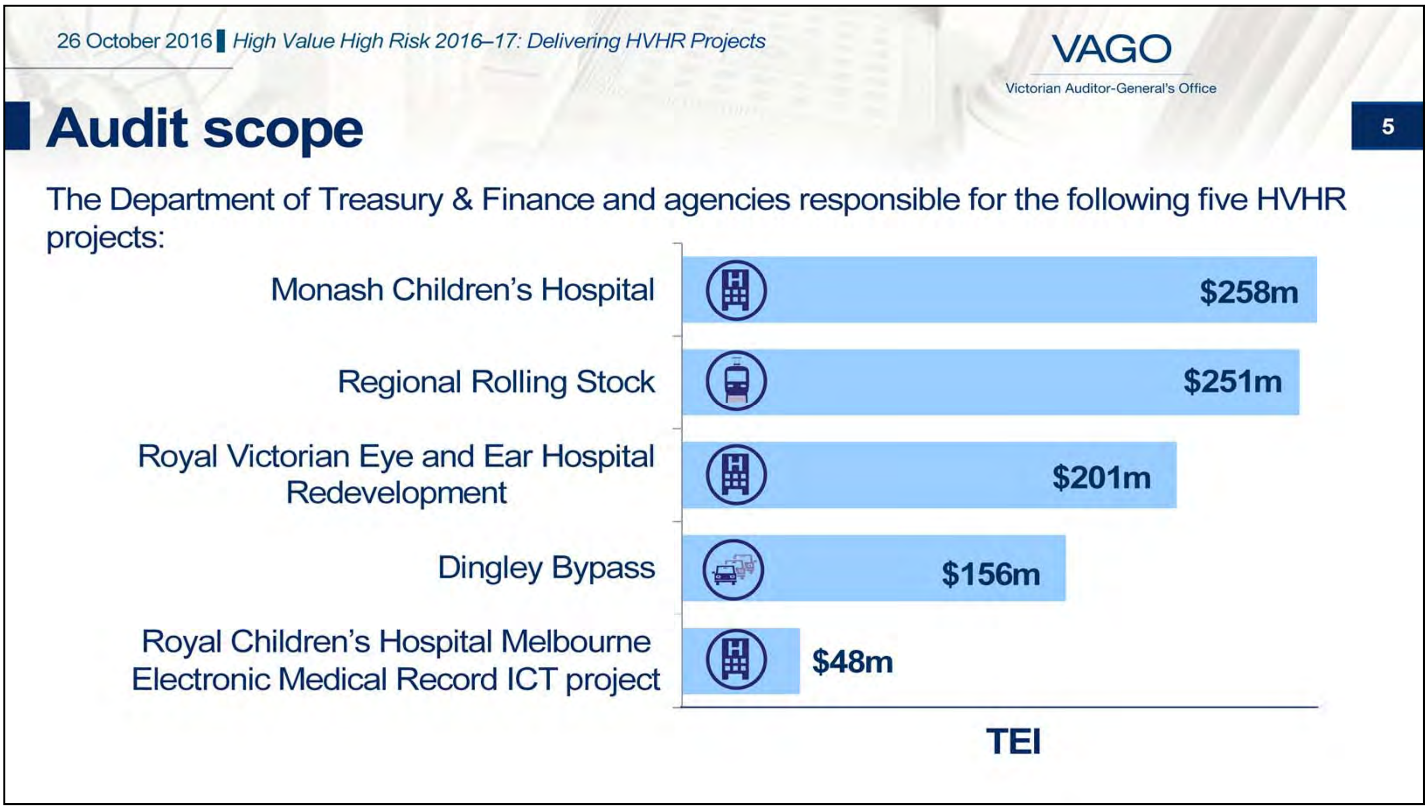


This is our third audit on the HVHR process. In June 2014, we tabled our first audit report in this series, *Impact of Increased Scrutiny of High Value High Risk Projects*. In August 2015, we tabled our second report, *Applying the High Value High Risk Process to Unsolicited Proposals.*



In this audit, we focused on the HVHR process during Stage 4 of the Investment Lifecycle Framework, known as 'Implement' or 'deliver the solution'. This stage requires decision-makers to understand whether the solution is the best value-for-money option and to be sure that it can be delivered as planned—its 'deliverability'.

We examined whether the HVHR process has been effectively updated and applied to provide sufficient and reliable assurance about the deliverability of HVHR projects.



To test the effectiveness of the HVHR process during project delivery, we selected five HVHR projects.

We looked at the Department of Treasury & Finance (DTF), the Department of Economic Development, Jobs, Transport & Resources (DEDJTR), the Department of Health & Human Services, Public Transport Victoria, VicRoads, Monash Health, The Royal Victorian Eye and Ear Hospital and the Royal Children's Hospital Melbourne.

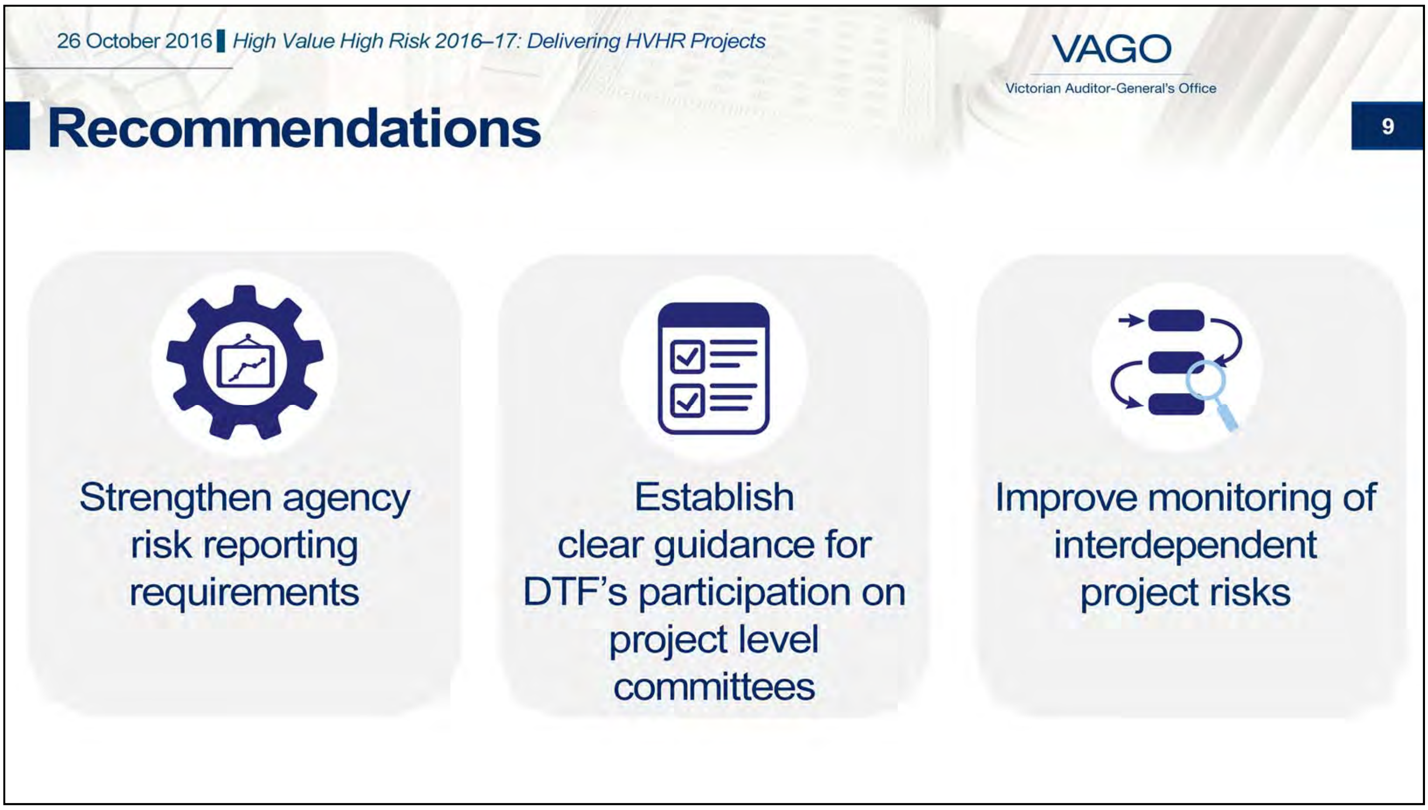
DTF and DEDJTR have commenced actions to address all of the recommendations from our 2014 and 2015 HVHR audit reports. Nine of the 12 management actions from the 2014 audit have been completed, and four of the six management actions of the 2015 audit have been completed.

DTF has sufficient information to identify and monitor the known risks to the deliverability of HVHR project, and it advises the Treasurer in a timely manner about significant risks and possible remedial actions.

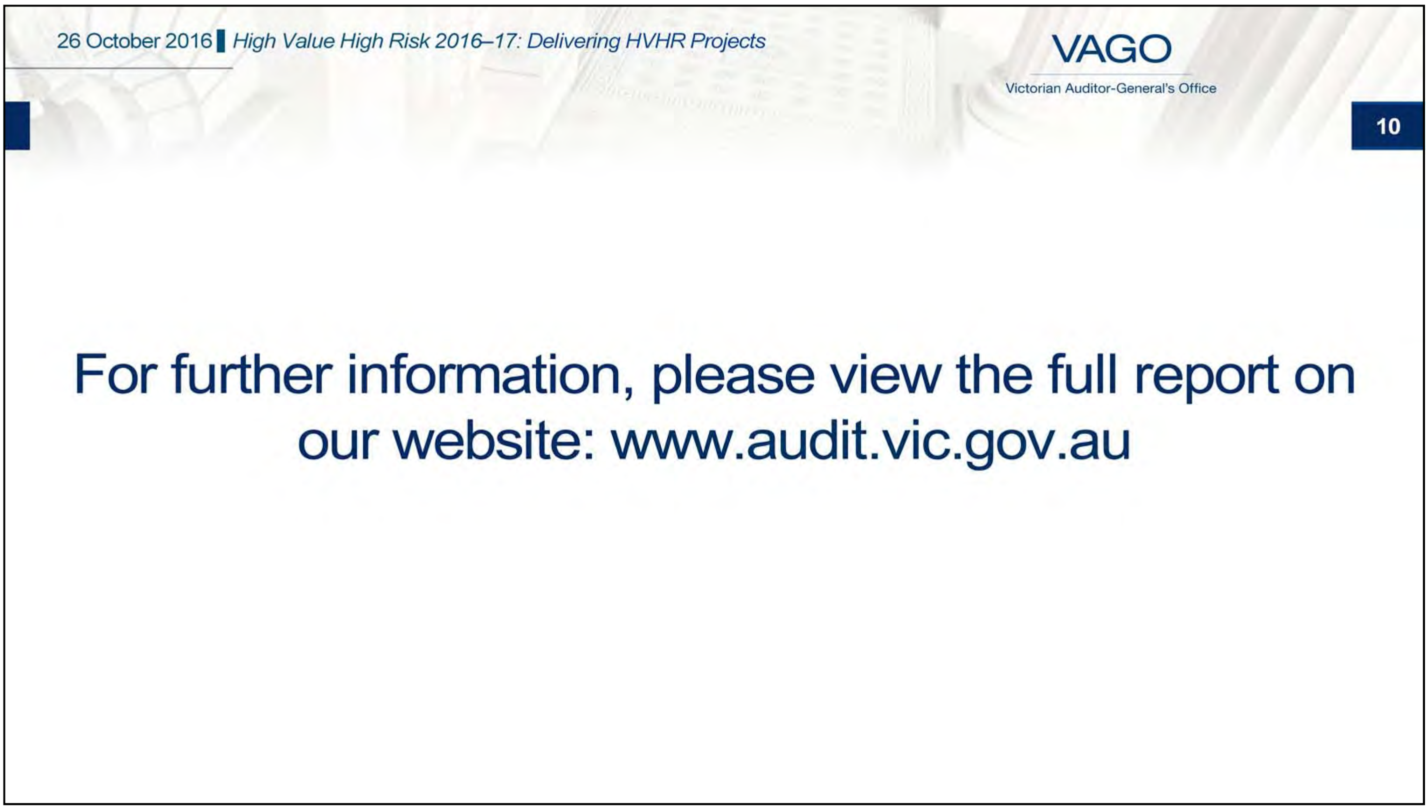
However, DTF relies on timely and accurate reporting by agencies, particularly when it is not represented on project level steering committees.

One of the risks with major transport infrastructure projects is that they may rely on the delivery of other infrastructure projects to fully realise their benefits. Insufficient consideration and monitoring by DTF and responsible agencies of interdependent investment risks was particularly evident for HVHR projects in the transport sector.

Some projects have been fast-tracked through the HVHR process without a full business case. Fast-tracking a project means that its strategic merit cannot be fully assessed, and this puts the effectiveness of the state's overarching investment lifecycle framework at risk.



We made three recommendations in this report, directed to DTF. The recommendations focus on strengthening agency risk reporting requirements, establishing clear guidance for DTF's participation in project level committees, and improving the monitoring of interdependent project risks.



For further information, please see the full report of this audit on our website, www.audit.vic.gov.au.