

A. Entity responses

As mandated in s. 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the:

- Director-General, Department of Energy and Public Works
- Director-General, Department of Education
- Commissioner, Queensland Corrective Services.

We also provided a copy of the report, with the option of providing a response, to the:

- Premier and Minister for the Olympics
- Director-General, Department of the Premier and Cabinet
- Under Treasurer, Queensland Treasury
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement
- Minister for Education, Minister for Industrial Relations and Minister for Racing
- Minister for Police and Corrective Services and Minister for Fire and Emergency Services.

This appendix contains the detailed responses we received.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.



Comments received from Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement



Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Our Ref: MN03698-2022
Your Ref: PRJ02720

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12 MAY 2022

Mr Brendan Worrall
Auditor-General
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By email: qao@qao.qld.gov.au

Dear Mr Worrall

Brendan

Thank you for providing the Queensland Audit Office (QAO) report on Contract Management for New Infrastructure.

I acknowledge Mr Paul Martyn, Director-General, Department of Energy and Public Works (DEPW) has provided a response to the report recommendations and understand the Director-General has also outlined the work DEPW has advanced to build a more robust foundation for infrastructure contract management.

This report further confirms the approach DEPW has taken to date and I provide the following commentary on DEPW's commitment to successful project outcomes through stronger management frameworks.

In 2020, DEPW commenced a revision of the key governing frameworks for Queensland's infrastructure asset management. The Building Policy Framework initiative is focused on providing a fit for purpose policy that provides a holistic and strategic approach to asset management lifecycles. This work continues to progress and includes the development of supporting guidelines that will address the report's recommendations by providing further clarity and detail in the application of the policy for public sector entities.

Additionally, the Project Management Centre of Excellence, initiated in 2021, is developing stronger rigor around project initiation, planning, delivery and risk management practices for Public Works' project teams and its client agencies. This initiative also includes stronger integration with contract management teams and will position DEPW as a high quality and professional service provider for integrated project and contract management.

Further to this, DEPW has commenced the Reinforced Infrastructure Contract Management Initiative, which is developing a targeted Contract Management Framework for the infrastructure contracts utilised by the Queensland Government to deliver its capital projects. It will bridge the gap between the Building Policy Framework's principles and the application of these principles to the operating environments for public sector entities.

Based on the current approach, DEPW is progressing on a sound trajectory towards addressing the report's recommendations and delivering improved project outcomes through stronger management frameworks and practices.

I hope this information answers your enquiry. If you need more information or help with this matter,

Yours sincerely



Mick de Brenni MP
Minister for Energy, Renewables and Hydrogen
Minister for Public Works and Procurement

Comments received from Director-General, Department of Energy and Public Works



Queensland
Government

Department of
Energy and Public Works

Our Ref: MN03559-2022
Your Ref: PRJ02720

12 MAY 2022

Mr Brendan Worrall
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Dear Mr Worrall

Department of Energy and Public Works' (DEPW) Response to Proposed Report – Contract Management for New Infrastructure

Thank you for providing the Queensland Audit Office (QAO) report on Contract Management for New Infrastructure and associated recommendations for DEPW's review and response.

The Queensland Government is committed to providing productivity-enhancing economic infrastructure through a broad range of capital works projects that help create jobs, support Queensland businesses and grow the economy.

DEPW has a strong and pro-active agenda in relation to improving delivery of capital works.

Organisational Alignment: In 2020-21, DEPW's Public Works division underwent organisational change and realignment, which included the amalgamation of significant capital delivery projects, contract support services and policy ownership into a newly established division, Major Projects. This change aligns key functional infrastructure management services into a stronger core business unit.

Policy Development: As the Minister observes in his letter to you, DEPW has worked to update the governing frameworks for infrastructure asset management. This is a significant agenda and further guidance is being prepared. DEPW has also commenced the Reinforced Infrastructure Contract Management Initiative, which will develop a targeted Contract Management Framework for infrastructure contracts and bridge the gap between policy principles and the application of these to operational environments for public sector entities.

Best Practice: Through the Project Management Centre of Excellence, DEPW is documenting best practice in infrastructure contract management, and developing tools and capability building to lift the quality of contract management across government. During its final implementation process throughout 2022, DEPW will be reinforcing integrated management practices with project delivery and contract management teams.

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Strong Partnerships: DEPW is working closely with agencies across government to improve contract management. Our partnership with the Department of Education is strong and we are working with them in enhancing approaches to contract management.

This agenda predates your audit.

I thank your staff for identifying that those contracts managed by DEPW's core project delivery team from commencement through to handing over to the client agency met all requirements for better practice. It is exactly this approach that we are building out through our Project Management Centre of Excellence and associated reforms.

It is understood that the QAO's report provides a snapshot of project and organisational circumstances at a point in time against a fixed scope and does not fully reflect the status of initiatives that DEPW has progressed to enhance its service offerings in these areas as outlined above. You may wish to revisit this matter in the future to capture the full benefits of these changes.

If you require any further information about this matter, [REDACTED]

Yours sincerely



Paul Martyn PSM
Director-General

Encl.



Response to recommendations



Department of Energy and Public Works

Contract management for new infrastructure

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
We recommend that the Department of Energy and Public Works:			
1. strengthens its whole-of-government framework to ensure it clearly states the minimum requirements for managing infrastructure contracts and provides supporting guidelines to public sector entities in applying the framework	Agree	Commenced	<p>The Department of Energy and Public Works will address the recommendation(s) across government through the newly released Building Policy Framework (BPF).</p> <p>Part of the BPF implementation is through the Building Reinforced Infrastructure Contract Management (RICMAN) Initiative which unites the approach to infrastructure contract management by introducing greater rigor between policy, framework and the application of these to the operating environment.</p> <p>The initiative includes the following:</p> <ul style="list-style-type: none"> • Expansion of the BPF Guidelines to enhance the relationship between Contract Management and better practice building policy for infrastructure management. • Development and implementation of a fit for purpose Infrastructure Contract Management Framework (ICMF), relevant and targeted to the Queensland Government infrastructure contracts. • The establishment of a Contract Management Centre of Excellence (CMCOE) that will develop and maintain consistent toolkits for the application of Infrastructure Contract Management practices within the operating environment.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
2. reviews and where necessary updates its whole-of-government framework at least every 3 years to ensure it reflects contemporary better practices and lessons learned from contract management activities.	Agree		The BPF will be reviewed in 2025, and every three years thereafter.
3. revise its internal policies, procedures, and guidance for managing infrastructure contracts by: <ul style="list-style-type: none"> • outlining specific contract management processes and requirements to complement the government frameworks for managing infrastructure contracts. • clearly defining and communicating the roles and responsibilities for managing contracts • providing appropriate training and support to staff managing contracts • improving contract registers to ensure a complete record of all awarded contracts 	Agree	Qtr 1 2023	Through the development of the ICMF, DEPW is providing high-level advice and guidance to public sector entities on general role and/or functional definition and divisions that agencies can adapt to their operating circumstances. Within the Department, the Project Management Centre of Excellence (PMCOE) is developing existing toolkits that provide greater clarity in roles and functionality definitions for project, contract management and administration teams. PMCOE will collaborate with CMCOE to align contract management requirements with the new framework. Following the development and finalisation of the Framework, CMCOE will develop and rollout training to relevant Public Works staff and across government agencies.
4. review its internal policies, procedures, and guidance for managing infrastructure contracts at least every 3 years to ensure they reflect contemporary better practices and lessons learned.	Agree	Qtr 1 2023	The establishment of the ICMF and CMCOE includes the development and implementation of ongoing management, governance and quality control/assurance activities that assigns ownership and prompts review cycles every three years or as required.
5. strengthen its contract management by ensuring their planning is in line with the government frameworks and reflects better practice approaches	Agree	Qtr 2 2023	As part of the PMCOE initiative, a Contract Management Plan has been developed for high-risk and significant profiled project teams to complete. This will be revised to align with the new ICMF, once finalised.



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
6. implement clearly defined processes and procedures to ensure all contract risks and issues are identified and effectively managed	Agree	Qtr 1 2023	<p>As part of the PMCOE initiative, project risk identification practices and processes are being enhanced. These include potential contract and/or contract management risks, as well as the inclusion of contract management practitioners or Subject Matter Experts (SMEs) as recommended attendees to project risk workshops and review cycles.</p> <p>PMCOE will collaborate with CMCOE to refine contract-specific risk management as part of broader project management practices that ensure project risks are considered and managed holistically, rather than in isolation.</p>
7. apply standardised processes and procedures for recording, evaluating, approving, and reporting on contract variations	Agree	Underway	<p>Variation management toolkits for practitioners are being developed through CMCOE.</p> <p>Additionally, PMCOE is developing improved project governance guidelines that prompt and promote the inclusion of contract variations reporting, escalation and approvals through relevant project governance arrangements.</p>
8. implement clearly defined processes and procedures for developing project design briefs (including specifying what the contract is expected to deliver) and for undertaking stakeholder consultations during the project design stage	Agree	Qtr 2 2023	<p>PMCOE are liaising with the Office of the Queensland Government Chief Architect on best practice for identifying and capturing design requirements through project initiation and planning stages.</p> <p>Additionally, the project governance guidelines being developed by PMCOE will improve review and approval process for design development.</p> <p>PMCOE and CMCOE will collaborate to explore and enhance existing contract instruments that translate and/or clarify design brief deliverables.</p>
9. assess, report, and where necessary act on contractor performance	Agree	Underway	<p>PMCOE have included greater prompts and rigor around performance reporting requirements through the Prequalification System (PQC) for project delivery teams.</p> <p>Through the ICMF and CMCOE, the Department is reviewing, considering and consolidating all potential contract performance management options for the current suite of contracts.</p>



Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
10. implement appropriate processes and procedures for sharing lessons learned and better practices from contract management activities.	Agree	Qtr 1 2023	PMCOE have implemented improved Lessons Learned practices for project delivery teams, including the capture and knowledge sharing of this information. This includes lessons pertaining to contract type, contract management and administration. Although, as with risk management, PMCOE will collaborate with CMCOE on refining the lessons learned capture and dissemination process as part of broader approach to continuous improvement through knowledge sharing.



Comments received from Director-General, Department of Education



Office of the
Director-General

Department of
Education

12 MAY 2022

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
Email: gao@gao.qld.gov.au

Dear Mr Worrall

Thank you for your email dated 19 April 2022 regarding the Queensland Audit Office's (QAO) proposed report to Parliament titled, *Performance audit – Contract management for new infrastructure* (the Report).

I welcome the opportunity to provide feedback on the findings and recommendations of the Report.

The Department of Education accepts the recommendations, and I have enclosed my response to recommendations related to the department.

As recognised in the Report, while the department is compliant with its legislative and regulatory requirements, there is room for improvement in our processes.

The department's Infrastructure Investment Portfolio has seen exponential growth in recent years, from \$597 million in 2014–15 to \$1.9 billion in 2021–22. Acknowledging this significant growth, the department has undertaken a comprehensive agenda to improve the way we manage our portfolio.

Since QAO's audit in 2021, the department has completed improvement actions in three key areas: culture and leadership; governance and monitoring; and processes and standards for infrastructure projects.

The department has examined existing processes and implemented business improvements to enhance the management of its infrastructure portfolio. As a priority, the department's Executive Management Board and Audit and Risk Management Committee continue to have oversight of our progress.

The department remains committed to continuous business improvement for the infrastructure portfolio, and I assure you the department will continue to work closely with the Department of Energy and Public Works to align with whole-of-Government frameworks, best practice contract management and project management guidance.

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Should you wish to discuss this matter further, I invite you to contact [REDACTED]

Thank you again for the opportunity to provide comment on the Report.

Yours sincerely



MICHAEL DE'ATH
Director-General

Ref: 22/257335

Enc

Response to recommendations

Department of Education

Contract management for new infrastructure

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
We recommend that the Department of Education:			
1. revise its internal policies, procedures, and guidance for managing infrastructure contracts by: <ul style="list-style-type: none"> • outlining specific contract management processes and requirements to complement the government frameworks for managing infrastructure contracts. • clearly defining and communicating the roles and responsibilities for managing contracts • providing appropriate training and support to staff managing contracts • improving contract registers to ensure a complete record of all awarded contracts 	Agree	Q4 FY23	The department has undertaken considerable improvements in contract and project management, and provided additional procurement and financial training to relevant staff. The department will continue working closely with the Department of Energy and Public Works (DEPW) to ensure all contract management policies, procedures and guidance are consistent with best practice whole-of-Government advice.
2. review its internal policies, procedures, and guidance for managing infrastructure contracts at least every 3 years to ensure they reflect contemporary better practices and lessons learned.	Agree	Q4 FY23	The department will ensure all policies and procedures align with the new DEPW's whole-of-Government framework scheduled for release in mid-late 2022.
3. strengthen its contract management by ensuring their planning is in line with the government frameworks and reflects better practice approaches	Agree	Q4 FY23	The department will ensure all policies and procedures align with the new DEPW's whole-of-Government framework scheduled for release in mid-late 2022.
4. implement clearly defined processes and procedures to ensure all contract risks and issues are identified and effectively managed	Agree	Q4 FY23	The department will ensure all policies and procedures align with the new DEPW's whole-of-Government framework scheduled for release in mid-late 2022.

Recommendation	Agree/ Disagree	Timeframe for implementation (Quarter and financial year)	Additional comments
5. apply standardised processes and procedures for recording, evaluating, approving, and reporting on contract variations	Agree	Q4 FY23	<p>The department has reviewed its contract variation processes and implemented additional assurance activities.</p> <p>The department will ensure policies and procedures align with the new DEPW's whole-of-Government framework scheduled for release in mid-late 2022.</p>
6. implement clearly defined processes and procedures for developing project design briefs (including specifying what the contract is expected to deliver) and for undertaking stakeholder consultations during the project design stage	Agree	Q4 FY23	<p>The department will ensure all policies and procedures align with the new DEPW's whole-of-Government framework scheduled for release in mid-late 2022.</p>
7. assess, report, and where necessary act on contractor performance	Agree	Q1 FY23	<p>The department will ensure compliance with the DEPW's whole-of-Government requirements.</p>
8. implement appropriate processes and procedures for sharing lessons learned and better practices from contract management activities.	Agree	Q1 FY23	<p>The department will formalise lessons learned activities currently undertaken.</p>



Comments received from Assistant Commissioner, Queensland Corrective Services



Ref: QCS-01599-2022



Queensland
Corrective Services

5 May 2022

Mr Brendan Worrall
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Dear Mr Worrall

PRJ02720 Proposed Report – Contract management for new infrastructure

We acknowledge receipt of the proposed audit report on 19 April 2022 under cover of an email to the Commissioner, Queensland Corrective Services. I have been asked to respond to you on his behalf.

We acknowledge your comments regarding the two Queensland Corrective Services' projects that the audit reviewed and note there are no specific findings or recommendations requiring action from Queensland Corrective Services.

Thank you, and the audit team, for your work on this matter and their consideration of our feedback during the audit process. We will continue to liaise with the Department of Energy and Public Works on these and any future projects.

If you require further information regarding this matter, please contact [REDACTED]

Yours sincerely

Richard Wittmack
Assistant Commissioner
Asset Services and Major Capital Works Command

cc: P. Brahman
Assistant Auditor General
Queensland Audit Office

OFFICIAL

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