

Report on a page

The Queensland Government plans to spend \$52.2 billion on infrastructure projects over the next 4 years and has identified investment in such projects as a key element of its COVID-19 economic recovery plan. In the past, poorly managed contracts for infrastructure projects have contributed to delays and unexpected costs. Effective contract management is fundamental to reducing the risk of cost and time overruns and ensuring public sector entities achieve value for money and the project's intended benefits. In this audit, we examined how effectively government entities have designed their contract management frameworks and applied them in managing contracts for new infrastructure projects. We focused on the Department of Energy and Public Works and the Department of Education because between them, they deliver approximately 60 per cent of the state's building infrastructure projects. We examined contract management for 6 of their projects, with a combined value of around \$1.4 billion.

As of September 2021, the contracts we reviewed had over \$127 million in contract variations. In most cases, project budgets were increased to cover additional costs. Some of the variations could have been avoided by better planning before awarding the contract. Our analysis identified lessons and opportunities to improve the contract management of future infrastructure projects.

The whole-of-government framework for managing infrastructure contracts needs updating

The Capital Works Management Framework (a whole-of-government framework) is the Queensland Government's key guiding document for managing risks in planning and delivering infrastructure projects. The framework provides some high-level guidance to public sector entities. However, it does not reflect contemporary practice, does not provide a clear and standardised approach for managing infrastructure contracts, and is not used by many entities. The Department of Energy and Public Works (which is the entity responsible for the framework) has not appropriately reviewed it since it was introduced in 1999. The department is now replacing the Capital Works Management Framework with a new framework.

Departments need to improve their management of contract performance

The Department of Energy and Public Works and the Department of Education have developed internal guidelines, processes, and systems for managing infrastructure contracts, however, these do not adequately align with the Capital Works Management Framework, to the extent that the framework remains relevant. They are not comprehensive nor consistently applied, resulting in important aspects of contract management being overlooked.

We found instances where the 2 departments had not adequately planned their contract management, had not clearly defined and documented roles and responsibilities or expected project deliverables, and had not undertaken enough (or effective) stakeholder consultation. In some cases, these limitations reduced the departments' ability to deliver, monitor, and report on projects as well as they may have done so otherwise. At times, this contributed to scope and cost changes after the contract was awarded. The extent to which some of the additional costs may have been avoided varies and is difficult to accurately gauge.

Some contract variations are unavoidable, and in some cases, they are desirable – especially where they result in enhanced outcomes. Entities can, however, avoid unnecessary variations and promote effective project delivery by appropriately defining deliverables before awarding contracts.

We found issues with the processes for approving some contract variations across the 2 departments. These were due to issues related to internal control weaknesses and limited oversight and guidance. Some project teams did not obtain appropriate approvals before varying contracts. In some cases, appropriate departmental approval was provided after variation works had commenced. Both departments are currently reviewing and updating their internal frameworks and aim to finalise them by mid- to late-2022.

Our recommendations

We have made 11 recommendations to assist entities in improving their design and implementation of relevant frameworks for managing infrastructure contracts.

