

**E3** Advisory

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# An Administrative Review of Building Queensland's Operating Arrangements

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# Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>1 Purpose of the Review and Authorship .....</b>	<b>1</b>
1.1 Purpose of the Review.....	1
1.2 Authorship .....	1
<b>2 Background .....</b>	<b>2</b>
<b>3 Terms of Reference.....</b>	<b>3</b>
<b>4 Review Approach .....</b>	<b>4</b>
4.1 Review Methodology .....	4
4.2 Interview Methodology.....	5
<b>5 Recurring Interview Themes and Observations.....</b>	<b>7</b>
5.1 Overview.....	7
5.2 2017 Review Recurring Themes .....	7
<b>6 Findings .....</b>	<b>10</b>
6.1 Overview.....	10
6.2 Main Finding: The operating arrangements of BQ have been effective since its establishment in December 2015 until the date of this Review	10
6.3 Finding 1: BQ has delivered in accordance with its functions as set out in the Act .....	11
6.4 Finding 2: As an independent statutory body BQ has provided the expected benefits of independence since it was established.....	11
6.5 Finding 3: BQ has appropriately and effectively engaged with the Office of the Deputy Premier and other key stakeholders .....	13
6.6 Finding 4: BQ’s policies and procedures comply with its legislative obligations .....	14
6.7 Finding 5: BQ’s operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance .....	14
6.8 Finding 6: BQ’s governance arrangements appear effective from a corporate governance perspective. BQ has recognised the need for improvement at the project level.....	14

6.9	Finding 7: The widespread view of stakeholders supports increased public transparency of the business case (other than GOCs) .....	15
6.10	Finding 8: There are potentially significant benefits to Government in improving infrastructure outcomes if BQ extends its investor oversight role beyond business case to investor reviews (against the endorsed business case) at critical junctures across the full project life cycle.....	16
6.11	Finding 9: There are potential benefits to all stakeholders from mapping and communicating the accountabilities and key interfaces of the various Queensland Government bodies that have a critical role in the prioritisation, investment decision, development and approval, funding and delivery of infrastructure .....	16
<b>7</b>	<b>Insights and Recommendations .....</b>	<b>17</b>

## List of Appendices

<b>Appendix A</b>	<b>Dr Peter Wood Curriculum Vitae</b>
<b>Appendix B</b>	<b>Building Queensland’s Role Brief (containing Terms of Reference)</b>
<b>Appendix C</b>	<b>Part A: List of Interviewees - This Review March 2017 Part B: List of Interviewees - Review September 2016</b>
<b>Appendix D</b>	<b>Assessment of Whether Building Queensland has Delivered its Legislative Functions</b>
<b>Appendix E</b>	<b>Assessment of Compliance with Legislative Obligations</b>
<b>Appendix F</b>	<b>Assessment of Operational Effectiveness</b>

## List of Figures

<b>Figure 1</b>	<b>Review Methodology .....</b>	<b>4</b>
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# Executive Summary

This report documents an administrative review undertaken of the efficacy of the operating arrangements of Building Queensland (BQ) in the period since its establishment in December 2015 (Review).

## Background and Authorship

Building Queensland was formally established on 3 December 2015, with the commencement of the *Building Queensland Act 2015* (the Act). The Explanatory Notes to the Building Queensland Bill 2015 provide, amongst other matters, guidance to the Government's Policy Objectives, Reasons and Achievement of Policy Obligations.

The author of this review is Dr Peter Wood, Principal of E3 Advisory. Peter has provided advisory services to all levels of government, particularly central agencies and statutory infrastructure authorities for many years.

## Terms of Reference

The Terms of Reference for this 2017 Review are to "*Undertake the review of the efficacy of the operating arrangements of Building Queensland (12 months after its establishment)*". It was further requested that this review include "*...recommendations that could improve the functions and efficiency of operations of Building Queensland.*"

## Review Approach

The Review approach was undertaken using three primary inputs; desktop analysis, interviews with 22 stakeholders and outcomes from a 2016 review undertaken for the BQ Board.

The interviews were designed as semi-structured discussions with open-ended questions on the subject of the effectiveness of BQ. This interview method mitigated grounding interviewees and also encouraged them to offer perspectives not constrained by the Terms of Reference given the request for recommendations that could improve BQ's functions and efficiency.

From 22 interviews nominated by BQ, recurring themes were distilled and clarification on the Act or policies and procedures was obtained as necessary from BQ Executives. This together with the outcomes of the 2016 Review provided the basis for the Findings and Recommendations.

## Findings

The Findings include those that relate directly to the Terms of Reference (Findings 1-6) and others (Findings 7-9) that are relevant to, but not expressly cited within, the Terms of Reference.

**Main Finding** The operating arrangements of BQ have been effective since its establishment in December 2015 until the date of this Review.

This Main Finding is supported by Findings 1-6.

**Finding 1** BQ has delivered in accordance with its functions as set out in the Act.

**Finding 2** As an independent statutory body BQ has provided the expected benefits of independence since it was established.

- Finding 3** BQ has appropriately and effectively engaged with the Office of the Deputy Premier and other key stakeholders.
- Finding 4** BQ's policies and procedures comply with its legislative obligations.
- Finding 5** BQ's operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance.
- Finding 6** BQ's governance arrangements appear effective from a corporate governance perspective. BQ has recognised the need for improvement at the project level.
- Finding 7** The widespread view of stakeholders supports increased public transparency of the business case (other than GOCs).
- Finding 8** There are potentially significant benefits to Government in improving infrastructure outcomes if BQ extended its investor oversight role beyond business case to investor reviews (against the endorsed business case) at critical junctures across the full project life cycle.
- Finding 9** There are potential benefits to all stakeholders from mapping and communicating the accountabilities and key interfaces of the various Queensland Government bodies that have a critical role in the prioritisation, investment decision, development and approval, funding and delivery of infrastructure.

## Insights and Recommendations

In the 15 months since Building Queensland was established it has achieved much: clearly satisfying the Government's policy objectives and the legislative obligations originally set for it to improve Government's infrastructure investment decisions.

BQ is a small body with limited resources. Now that BQ has established the necessary processes and frameworks to conduct its work, the organisation can consider what 'business as usual' requires and apply those resources to the areas that will have the highest impact on improving infrastructure outcomes for Queensland. BQ's effectiveness in improving infrastructure outcomes could be increased further if it adopts the following recommendations, recognising that several may require legislative change.

### Recommendation 1

Explore, as a medium-term reform option, the relative benefits to Government of improving infrastructure outcomes through:

- (i) A more targeted approach to selecting the major business cases on which BQ will lead the development. This targeted approach could be achieved by the adoption of a risk-based assessment of project owner/Agency capability and project risk.
- (ii) The adoption of leading practice business case assurance principles that would include ensuring the independence of the assurer from the development of the business case.
- (iii) An extension to its current business case assurance role to providing Government with an appropriate investor review (against the endorsed business case) at the critical junctures in the project life cycle: procurement, delivery and benefits realisation.

### Recommendation 2

Continue to set a mandatory and consistent standard for the development of all Queensland Government business cases by maintaining custodianship of Business Case Frameworks.

### Recommendation 3

Increase the public transparency of business cases led by BQ (or provided assurance on) by publishing sufficient information (redacting commercial-in-confidence material) to ensure confidence that the basis of Government's investment decision was robust and in the public interest.

### Recommendation 4

Reduce the current publication frequency of the Infrastructure Pipeline from bi-annual to annual with a mid-cycle (6-monthly) update of material changes. This recommendation aligns with the Building Queensland Act which contemplates the preparation of an initial Infrastructure Pipeline with 6-monthly updates.

### Recommendation 5

Maintain a Board composition of five Board Members from the Private Sector and three Board Members from Queensland Government Departments to ensure a balanced and independent Board.

### Recommendation 6

Permit the Government Board Members to appoint a senior executive as their proxy to attend and vote at a Board Meeting.

### Recommendation 7

Develop and communicate a map of the various Queensland Government bodies that have a critical role in the prioritisation, investment decision, development and approval, funding and delivery of infrastructure.

### Recommendation 8

Explore in greater depth the differences and similarities between ICT projects and traditional physical infrastructure and the implications for BQ's role in leading business cases for major ICT projects.

# 1 Purpose of the Review and Authorship

## 1.1 Purpose of the Review

This report documents an administrative review undertaken of the efficacy of the operating arrangements of Building Queensland (BQ) in the period since its establishment in December 2015 (Review).

The Review has been undertaken for the CEO of BQ, Damian Gould.

## 1.2 Authorship

The author of this Review is Dr Peter Wood, Principal of E3 Advisory (Author).

Peter has provided advisory services to all levels of government, particularly Central Agencies and Statutory Infrastructure Authorities for many years. This advice has covered the development of investor assurance frameworks, improving organisational effectiveness, business case assurance, the procurement of multi-million and billion dollar projects, National Best Practice Guidelines (Project Definition, Budgets, Governance, Performance), how to improve value for money outcomes, stage gate reviews and the efficacy of leading infrastructure practices from around the world. A copy of Peter's CV is attached in Appendix A.

## 2 Background

Building Queensland was formally established on 3 December 2015 through the *Building Queensland Act 2015* (the Act). The Explanatory Notes to the Building Queensland Bill 2015 provide, amongst other matters, guidance to the Government's Policy Objectives, Reasons and Achievement of Policy Obligations.

In August 2016, the Board of BQ commissioned Peter Wood to undertake an Independent Review of stakeholders' perspectives on the effectiveness of BQ in performing its role on two nominated business cases. BQ considered it timely to undertake this 2016 Review to understand how the new functions of BQ "... could be improved as the organisation developed with the benefit of 9 months in operation and the delivery of two major business cases".

The Terms of Reference for that 2016 Review provided that it was to:

- *capture the recent experience of the business cases for Cross River Rail and ETCS, but not analyse the content of the business cases*
- *seek direct feedback from nominated 16 key stakeholders on BQ performance.*

In early 2017 BQ appointed Peter Wood to undertake this administrative review of the effectiveness of the operating arrangements of Building Queensland. The period to be covered is from establishment in December 2015 until March 2017. This review was required by the Queensland Parliament at the time of enactment of the Bill.

The Terms of Reference of this 2017 Review were developed by BQ in consultation with Office of the Deputy Premier and the departments represented on the Building Queensland Board (Department of the Premier and Cabinet, Queensland Treasury and Department of Infrastructure, Local Government and Planning).



### 3 Terms of Reference

The Terms of Reference for this review are contained in the “Role Brief” provided to the Author by BQ and are reproduced below (Refer Appendix B Role Brief).

*“Undertake the review of the efficacy of the operating arrangements of Building Queensland (12 months after its establishment).*

1. *Whether Building Queensland has delivered in accordance with its functions as set out in the Act, in particular:*
  - a. *include information on the achievement of key activities and deliverables relating to these functions over the 12-month period*
  - b. *identify issues associated with implementation of its functions over the period of the Review.*
2. *How the establishment of an independent statutory body has provided benefits in terms of providing independent advice, development of rigorous frameworks, preparation of the infrastructure pipeline and the development of robust business cases, and where there may be opportunities for improvement.*
3. *Whether there has been an appropriate level of engagement and reporting to the Minister and other key stakeholders, and the effectiveness of this engagement and reporting. Where appropriate this will extend upon the findings of an independent review undertaken for the Building Queensland Board between August and September 2016.*
4. *An assessment of the policies and procedures developed by Building Queensland to ensure compliance with relevant legislative obligations such as the Building Queensland Act 2015, Auditor-General Act 2009, Financial Accountability Act 2009, Financial and Performance Management Standard, Statutory Bodies Financial Arrangements Act 1982, the Public Service Act 2008 and other relevant legislation and regulations.*
5. *An assessment of the operational effectiveness of Building Queensland. This will include a review of the annual budget and performance against this budget, resourcing supporting the organisation, processes for managing financial and other reporting and assurance and risk management processes at both the organisation and project level.*
6. *The effectiveness of the current governance arrangements for Building Queensland.”*

It was further requested in the Role Brief that this review include:

*“...recommendations that could improve the functions and efficiency of operations of Building Queensland.”*

## 4 Review Approach

### 4.1 Review Methodology

The Review approach was undertaken using three primary inputs:

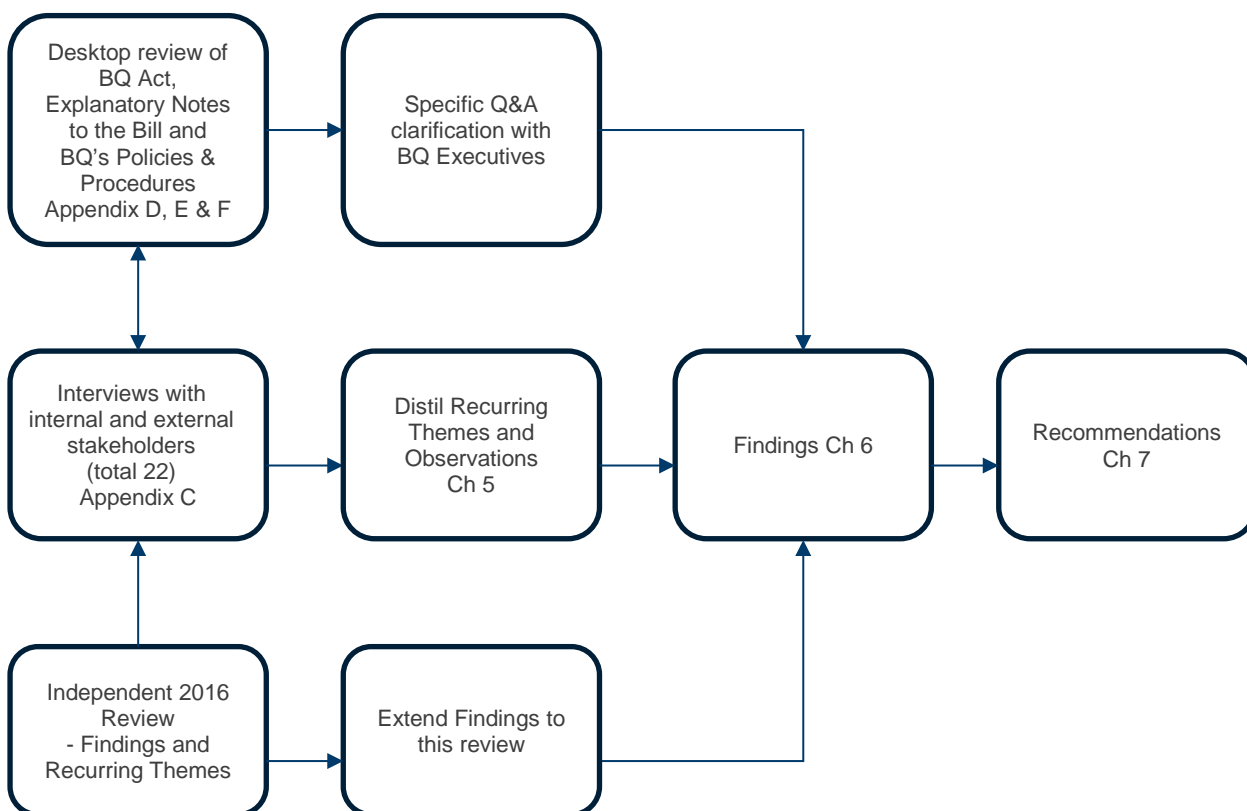
- Desktop Analysis of written material ie. the BQ Act, Explanatory Notes and Policies and Procedures that primarily informed Terms of Reference questions 1, 4, 5, and 6.
- Interviews with stakeholders, which primarily informed Terms of Reference questions 2, 3, 6 and the Recommendations.
- Outcomes from the 2016 BQ Review.

From 22 interviews nominated by BQ, recurring themes were distilled and clarification on the Act or policies and procedures was obtained as necessary from BQ Executives. This together with the outcomes of the 2016 Review provided the basis for the Findings and Recommendations.

Time constraints and interviewees' preferences and experience meant it was not possible to cover all questions in depth with each interviewee but they were covered collectively.

The Review's methodology is illustrated below.

**Figure 1 Review Methodology**



## 4.2 Interview Methodology

BQ nominated the organisations, together with their relevant executives, that were interviewed for this Review (Refer Appendix C for details). In summary:

Organisation	Department
Minister's Office (1)	Office of the Deputy Premier
Line Agencies (5)	Department of Infrastructure, Local Government Planning Department of Correctional Services Department of Transport and Main Roads Department of Science, Information and Technology Queensland Health
Central Agencies (2)	Department of Premier & Cabinet, Queensland Treasury
BQ Executives (5)	-
BQ Board Members (5)	-
Government Owned Corporations (GoCs) (2)	Townsville Port Authority SunWater
Industry Peak Bodies (2)	Infrastructure Association of Queensland Australian Constructors Association

The Author considers that these organisations represent a reasonable and sizeable cross-section of Queensland-based stakeholders, which provide a representative perspective of internal and external stakeholders, namely:

- Approximately 50:50 split of internal (BQ) and external stakeholders
- Two industry bodies
- A mix of Line Agencies, Central Agencies and Government Owned Corporations
- BQ Executives and BQ Board Members

Infrastructure Australia (IA) and the Commonwealth Department of Industry and Regional Development (DIRD) were interviewed as part of the 2016 Review and their views have been incorporated in this 2017 Review.

Interviews were designed and conducted in a semi-structured manner, non-attributable to individuals using pre-determined open questions and based around the Terms of Reference brief of ‘...the effectiveness of BQ’. This allowed for particular themes to be explored in greater depth.

Notes were taken in real time during each interview. These notes were subsequently distilled into the key themes arising from each individual and, where possible, categorised to the questions (1-6) of the Terms of Reference.

To succinctly capture the various themes from multiple interviews, it was considered necessary and appropriate to sometimes paraphrase the actual comments from interviewees. This was done taking due care to retain the unfiltered observations and perspectives of the interviewee.

At the completion of all interviews, information was analysed and distilled into nine recurring themes (refer Chapter 5).

## 5 Recurring Interview Themes and Observations

### 5.1 Overview

As described in Chapter 4 the interviews were designed as semi-structured discussions with open-ended questions on the subject of the effectiveness of BQ. This interview method mitigated grounding interviewees and also encouraged them to offer perspectives not constrained by the Terms of Reference given the request for recommendations that could improve BQ's functions and efficiency.

The information received from the interviewees was subsequently analysed and distilled into recurring themes. When discussing and making observations about the themes, the following descriptors have been adopted to describe the number of interviewees responding to a theme.

- Minority – less than 5 of 22 interviews
- Majority – more than 11 of 22 interviews
- Widespread – greater than 15 of 22 interviews.

### 5.2 2017 Review Recurring Themes

At the completion of all 22 interviews, nine recurring themes emerged. These are shown in the Table below:

Recurring Theme	Theme Main Descriptor
1. The role of BQ as an independent statutory body is valued but mixed views on the nature, extent and benefits of independence	Widespread
2. BQ developing and implementing rigorous Business Case Frameworks improved the robustness of business cases	Majority
3. BQ is required to lead the development of <u>all</u> major business cases, there may be greater benefit if it was able to be more targeted in selecting the business cases it decides to lead	Majority
4. The benefits of the Infrastructure Pipeline would not be affected by reducing publication frequency	Widespread
5. There would be benefits from BQ providing assurance of business cases independent of the development of the business case	Majority

Recurring Theme	Theme Main Descriptor
6. Business case transparency to the public should be increased	Widespread
7. BQ should extend its investor oversight role (beyond that provided in the BQ Act)	Widespread
8. BQ engages effectively with stakeholders	Widespread
9. The benefits of BQ leading the business cases for ICT projects are unclear and need further review	Minority (included as a theme because of potential significance to BQ)

Each recurring theme is discussed further below.

1. **The role of BQ as an independent statutory body is valued but with mixed views on the nature, extent and benefits of independence**

Consistent with the 2016 Review, there was widespread support from internal and external stakeholders for the concept of BQ as an Independent Statutory Body. However, as described below, there were mixed views on the nature, extent and benefits of this independence.

2. **BQ developing and implementing rigorous Business Case Frameworks improved the robustness of business cases**

The majority of interviewees indicated that the development and implementation of rigorous Business Case Frameworks had directly or indirectly led to an improvement in the robustness of business cases.

A minority of interviewees commented that the frameworks were inflexible to project context.

3. **BQ is required to lead the development of all major business cases, there may be greater benefit if it was able to be more targeted in selecting the business cases it decides to lead**

The majority view was that while the BQ Act required BQ to lead all major (>\$100m) business cases, BQ could provide greater benefit if it was able to be more selective, or targeted in the business cases that it decides to lead.

The comments referred to differing business case development maturity levels between Agencies, differing project risk profiles, potential use of (scarce) BQ resources in other areas and the potential for BQ to be better positioned to provide assurance independent of business case development. A GOC interviewee offered that “...I find the concept of (a third party) BQ leading a business case for us to be quite confronting.”

4. **The benefits of the Infrastructure Pipeline would not be affected by reducing publication frequency**

The widespread view was that there would be negligible disbenefits if frequency of publication of the Infrastructure Pipeline was reduced from 6 to 12 months and potential benefits if its purpose and process was better articulated.

5. **There would be benefits from BQ providing assurance of business cases independent of the development of the business case**

Consistent with the 2016 Review, the majority view was that there was considerable benefit in the provision, by BQ, of assurance that is independent from the developer of the business case.

A minority view offered that “*independence*” needs to be considered pragmatically and within the context of the BQ Act (refer also comments under Finding 2: “*Benefits of leading the development of robust business cases*”).

BQ advises that it is presently updating the Assurance Framework to address the above.

#### 6. **Business case transparency to the public should be increased**

The widespread view was for increased public transparency of the business cases but not to the extent of full publication of the business case. Supporting comments included:

*“Where public monies are involved, transparency, including the full business case, should be the default position.”* (Agencies)

*“Increased exposure will lead to increased (healthy) scrutiny and -over time- improve the quality of business cases.”* (BQ Executives, Industry Body)

The GOCs were not supportive of increased disclosure on the basis that: “...*the GOCs are commercial entities operating in a competitive environment and release of the business case could potentially provide their competitors with information that provides them with an unfair advantage.*” (GOCs)

BQ advises it is presently reviewing the pros/cons and practices in other jurisdictions regarding the release of fuller details of completed business cases and will be advising Government further in that regard shortly.

#### 7. **BQ should extend its investor oversight role (beyond that provided in the BQ Act)**

There was widespread support for the concept of extending BQ’s current legislated investor assurance role beyond business cases, to an investor review (against the endorsed business case) at critical junctures in the project lifecycle. Supporting comments were that “...*sounds similar to NSW model and makes sense*” and “...*will provide better line of sight by Government to business case outcomes*” and “...*my concern is resources; we can’t do everything and need to focus our efforts.*”

#### 8. **BQ engages effectively with stakeholders**

The widespread view was that BQ engages effectively with stakeholders with various comments on their professional relationship with BQ.

The Office of the Deputy Premier was also generally positive.

#### 9. **The benefits of BQ leading the business cases for ICT projects are unclear and need further review**

There were few comments on this matter (three individuals). While comments were limited, the underlying theme was a recognition that the outcomes of major ICT projects were often sub-optimal and BQ should explore if, and how, it could improve investment decision-making and project outcomes.

## 6 Findings

### 6.1 Overview

The Findings identified in this Chapter include those that relate directly to the Terms of Reference and others that are relevant to, but not expressly cited within, the Terms of Reference. The Review found one Main Finding, which was supported by a further six Findings. The Review found an additional three Findings, relevant but not expressly referred to in the Terms of Reference.

### 6.2 **Main Finding: The operating arrangements of BQ have been effective since its establishment in December 2015 until the date of this Review**

The test of BQ's effectiveness, adopted by this Review, is the degree to which it adequately satisfied the six questions in the Terms of Reference (summarised below):

- 1) Whether BQ had delivered in accordance with its functions as set out in the Act.
- 2) Whether (and how) the establishment of an independent body has provided benefits.
- 3) Whether there has been an appropriate level of engagement and reporting to the Office of the Deputy Premier and other key stakeholders.
- 4) Whether BQ's policies and procedures comply with its legislative obligations.
- 5) Whether BQ has been operationally effective: budgeting, resourcing, risk management.
- 6) Whether BQ's governance arrangements have been effective.

This Main Finding is supported by Findings 1-6 which identify that BQ has generally satisfied the questions in the Terms of Reference.

**Finding 1** BQ has delivered in accordance with its functions as set out in the Act.

**Finding 2** As an independent statutory body BQ has provided the expected benefits of independence since it was established.

**Finding 3** BQ has appropriately and effectively engaged with the Office of the Deputy Premier and other key stakeholders.

**Finding 4** BQ's policies and procedures comply with its legislative obligations.

**Finding 5** BQ's operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance.

**Finding 6** BQ's governance arrangements appear effective from a corporate governance perspective. BQ has recognised the need for improvement at the project level.

Additional Findings relevant to but not expressly referred to in the Terms of Reference

**Finding 7** The widespread view of stakeholders supports increased public transparency of the business case (other than GOCs).

**Finding 8** There are potentially significant benefits to Government in improving infrastructure outcomes if BQ extended its investor oversight role beyond business case to investor



reviews (against the endorsed business case) at critical junctures across the full project life cycle.

- Finding 9** There are potential benefits to all stakeholders from mapping and communicating the accountabilities and key interfaces of the various Queensland Government bodies that have a critical role in the prioritisation, investment decision, development and approval, funding and delivery of infrastructure

### 6.3 **Finding 1: BQ has delivered in accordance with its functions as set out in the Act**

This Finding addresses Terms of Reference question 1.

*“Whether Building Queensland has delivered in accordance with its functions as set out in the Act, in particular:*

- a. *include information on the achievement of key activities and deliverables relating to these functions over the 12-month period*
- b. *identify issues associated with implementation of its functions over the period of the Review.*

Support for this Finding is contained in Appendix D which documents each of BQ’s legislative functions and notes the relevant activities or deliverables by BQ.

### 6.4 **Finding 2: As an independent statutory body BQ has provided the expected benefits of independence since it was established**

This Finding addresses Terms of Reference question 2.

*“Whether and how the establishment of an independent statutory body has provided benefits in terms of providing independent advice, development of rigorous frameworks, preparation of the infrastructure pipeline and the development of robust business cases, and where there may be opportunities for improvement.”*

There was widespread support from internal and external stakeholders for the concept of the establishment of BQ as an Independent Statutory Body. However, as described below, there were mixed views on the nature, extent and benefits of this independence. This is consistent with the recurring themes arising from the 2016 Review.

#### 1. Benefits of independent advice other than business cases and the Infrastructure Pipeline

It was not possible to form a definitive Finding on the benefits to Government of BQ providing independent advice beyond that of recommended business cases and the development of the Infrastructure Pipeline. There was insufficient commentary from interviewees and it appears that such independent advice has been limited to date.

## 2. Benefits of rigorous frameworks

The widespread view of internal and external stakeholders was that the Business Case Frameworks developed by BQ were rigorous and beneficial.

Furthermore, these stakeholders considered that the development and implementation of these frameworks has ensured (or will in future lead to) a material improvement and consistency in the robustness of business cases. It is unclear whether this improvement occurred because of the rigour imposed by the frameworks and/or the raised awareness of the need for rigour instilled by the publication of the frameworks.

A minority of stakeholders considered the frameworks to be over-prescriptive and inflexible in a project context.

## 3. Benefits of leading the development of robust business cases

BQ has satisfied its legislative obligations to lead the development of all major business cases (over \$100m) and is considered to have been effective.

Consistent with the 2016 Review, the majority view of stakeholders recognised these obligations but considered that there could be increased benefits if BQ was able to be more targeted in selecting the business cases it leads. A compilation of views noted potential benefits of:

- Clarity of the Agency Senior Responsible Officer's (SRO) fundamental single point responsibility and accountability for the business case.<sup>1</sup>
- Increased ability for BQ to provide Independent assurance of business cases.

A minority view offered that:

- BQ is not independent of the business case developer where it leads the development of the business cases. However, those business cases are not developed by the project owner itself (BQ will only in exceptional cases be requested to deliver a project and this has not happened to date) and BQ relies on its own (via its independent board) assurance which is supplemented by further assurance by expert external consultants, independent peer reviews and appropriately timed independent Gateway reviews.
- BQ is usually not the project owner/sponsor and to that extent BQ's independent is maintained.

A minority of stakeholders also considered that there were advantages to BQ leading the development of all major business cases noting the:

<sup>1</sup> Not discussed with stakeholders but presented for consideration is the following extract from "Project Governance 2013: Victorian Department of Treasury and Finance"

"A single point of accountability ensures clarity of decision making and empowers the accountable person within the organization. It is important that outcomes defined and delivered by the investment match the service outcomes required by the organizational owner of those services. Consistency of accountability throughout the project's life ensures decision-making consistency – the focus of the project, its objectives and the benefits it seeks remain consistent throughout its life, or at least are not changed without due process. This is best achieved by having a single point of accountability, the Project Sponsor or Senior Responsible Owner (SRO)."

".... A project sponsor or SRO to be identified for all projects and that the accountability for the investment – its progress through the project phase and delivery of benefits – is reflected in their annual performance plan".

- Potential for a significant reduction in business case quality unless led by BQ
- Consistency across the portfolio of whole-of-government's infrastructure projects
- Development and access to specialist business case skills
- Potential to create a centre of excellence in business case development
- Independent Whole-of-Government perspective.

Following the 2016 Review, it is understood that BQ is currently updating its Project Governance Frameworks to address the above, within the bounds of the BQ Act.

#### 4. Benefits of the Infrastructure Pipeline

BQ's Infrastructure Pipeline has been developed in accordance with its legislative obligations. It has provided benefit to Government because it satisfies the Government's Policy objections expressed in the Explanatory Notes.

There would be negligible disbenefits if frequency of publication of the Infrastructure Pipeline was reduced from 6 to 12 months and potential benefits if its purpose and process was better articulated.

Notwithstanding significant effort by BQ Executives in developing this Pipeline, its benefits could be improved by:

- Increasing communication to external stakeholders as to:
  - the purpose of the Pipeline
  - the rationale for separating the development of the Pipeline from the development of the State Infrastructure Plan
  - the reasoning behind the inclusion of some projects and exclusion of others

#### 5. Benefits of independent assurance of the robustness of business cases

The majority view from stakeholders was that benefits to Government are diminished when BQ provides an assurance role on business cases for which it has led the development. It is not possible for BQ to satisfy the criterion of "*Independent of business case developer*" if it leads the development of the same business case.

The minority view offered that:

- For a party, other than BQ to undertake the necessary business case assurance (particularly where BQ clearly satisfies all of the other leading practice criteria), may be regarded as impractical and ineffective from a cost perspective (refer also earlier comments under item 3).

### 6.5 **Finding 3: BQ has appropriately and effectively engaged with the Office of the Deputy Premier and other key stakeholders**

This Finding addresses Terms of Reference question 3.

*"Whether there has been an appropriate level of engagement and reporting to the Minister and other key stakeholders, and the effectiveness of this engagement and reporting. Where*

*appropriate this will extend upon the findings of an independent review undertaken for the Building Queensland Board between August and September 2016.”*

This Finding is supported by the recurring themes by stakeholders (Chapter 5) together with positive statements from the Office of the Deputy Premier.

## 6.6 **Finding 4: BQ’s policies and procedures comply with its legislative obligations**

This Finding addresses Terms of Reference question 4.

*“An assessment of the policies and procedures developed by Building Queensland to ensure compliance with relevant legislative obligations such as the Building Queensland Act 2015, Auditor-General Act 2009, Financial Accountability Act 2009, Financial and Performance Management Standard, Statutory Bodies Financial Arrangements Act 1982, the Public Service Act 2008 and other relevant legislation and regulations.”*

The support for this Finding is detailed in Appendix E which maps BQ’s Compliance Management System and demonstrates that it is both thorough and comprehensive and complies with relevant legislative obligations.

BQ has implemented policies and procedures to ensure compliance with its legislative obligations resulting in the establishment of a comprehensive Compliance Management System (CMS).

As BQ moves out of the higher risk establishment phase to business-as-usual, it could consider a reduction in its compliance processes to more appropriately reflect the risks of a mature organisation.

## 6.7 **Finding 5: BQ’s operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance**

This Finding addresses Terms of Reference question 5.

*“An assessment of the operational effectiveness of Building Queensland. This will include a review of the annual budget and performance against this budget, resourcing supporting the organisation, processes for managing financial and other reporting and assurance and risk management processes at both the organisation and project level.”*

The support for this Finding is contained within Appendix F which provides an assessment of BQ’s operational functions.

BQ has developed processes to support operational effectiveness including budgeting, resourcing, financial control and risk compliance practices at both the organisation and project level.

Operational effectiveness is reviewed and reported by BQ’s internal assurance and governance arrangements and external audit by the Queensland Audit Office (QAO). The outcomes of BQ’s 2016 internal assurance review and QAO audit found no material issues.

## 6.8 **Finding 6: BQ’s governance arrangements appear effective from a corporate governance perspective. BQ has recognised the need for improvement at the project level**

This Finding addresses Terms of Reference question 6.

*“The effectiveness of the current governance arrangements for BQ.”*

The designation ‘governance’ was considered firstly in terms of ‘corporate governance’ and secondly ‘project business case governance’.

The effectiveness of the current BQ corporate governance arrangements was not assessed in detail in this Review. Rather the Review considered:

- Feedback and interactions with individual BQ Board members
- Comments from the Office of the Deputy Premier
- The positive nature of the following Findings:
  - Finding 1: BQ has delivered in accordance with the functions set out in the Act
  - Finding 4: BQ’s policies and procedures comply with its legislative obligations
  - Finding 5: BQ’s operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance
- Observations and experiences of the Author facilitating the BQ Board Strategy Session in late 2016.

Based on the above considerations only, it has been found that BQ’s corporate Governance arrangements appear effective.

There were limited comments by interviewees on the subject of corporate governance. Such limited comments related to:

- The very high workload on the Board Members in the first year of operation
- The recognised need to clarify the optimum role of the Board
- The composition of the Board and nominated delegates
- Request by management for interaction with the Board to increase understanding of strategic priorities
- The recognised need to clarify the role of BQ
- The need for Government members to have the right to appoint one of their senior executives as their proxy

Regarding governance at the project business case level BQ has recognised the need for improvement and is developing revised assurance processes.

## 6.9 **Finding 7: The widespread view of stakeholders supports increased public transparency of the business case (other than GOCs)**

The widespread view (excluding GOCs) was that there should be increased public transparency of the business case but not to the extent of publication of the business case in its entirety.

The recurring themes in favour of increased transparency centred on the importance of transparency when public monies are involved, *“healthy scrutiny will lead to continuous improvement”* and alignment with Government Policy objectives.

The GOCs were not supportive of increased disclosure on the basis that *“the GOCs are commercial entities operating in a competitive environment and release of the business case could potentially provide their competitors with information that provides them with an unfair advantage”*.

Noteworthy is that BQ advises it is presently reviewing the pros/cons and practices in other jurisdictions regarding the release of fuller details of completed business cases and will be advising Government further in that regard shortly.

**6.10 Finding 8:** There are potentially significant benefits to Government in improving infrastructure outcomes if BQ extends its investor oversight role beyond business case to investor reviews (against the endorsed business case) at critical junctures across the full project life cycle

The majority of stakeholders agreed in-principle with the view that infrastructure outcomes could be improved if BQ assumed an investor oversight role beyond the endorsement of the business case.

This oversight role could resemble elements of the Investor Assurance Framework developed and implemented by INSW —the objective being to ensure a clear investor perspective at critical junctures in the project life cycle: e.g. award of major contract(s), delivery and benefits realisation.

**6.11 Finding 9:** There are potential benefits to all stakeholders from mapping and communicating the accountabilities and key interfaces of the various Queensland Government bodies that have a critical role in the prioritisation, investment decision, development and approval, funding and delivery of infrastructure

Consistent with the recurring themes of the 2016 Review, the majority of stakeholders opined for increased clarity on the role and responsibility of Queensland Government’s infrastructure bodies, including BQ. This clarification extended to the role of Commonwealth bodies (IA, DIRD).

## 7 Insights and Recommendations

In the 15 months since BQ was established has achieved much: clearly satisfying the Government's policy objectives and the legislative obligations originally set for it to improve Government's infrastructure investment decisions.

These achievements have been underpinned by the development and implementation of rigorous Business Case Frameworks and to a lesser extent the publication of the bi-annual Infrastructure Pipeline.

There is widespread recognition that BQ could provide further significant benefit to Government, in terms of improving infrastructure outcomes, by extending its investor oversight role beyond the development of the business case to investor reviews (against the endorsed business case) at critical junctures in the project life cycle.

BQ is a small body with limited resources. Now that BQ has established the necessary processes and frameworks to conduct its work, the organisation can consider what 'business as usual' requires and apply those resources to the areas that will have the highest impact on improving infrastructure outcomes for Queensland. BQ's effectiveness in improving infrastructure outcomes could be increased further if it adopts the following recommendations, recognising that several may require legislative change.

### Recommendation 1

Explore, as a medium-term reform option, the relative benefits to Government of improving infrastructure outcomes through:

- (i) A more targeted approach to selecting the major business cases on which BQ will lead the development. This targeted approach could be achieved by the adoption of a risk-based assessment of project owner/Agency capability and project risk.
- (ii) The adoption of leading practice business case assurance principles that would include ensuring the independence of the assurer from the development of the business case.
- (iii) An extension to its current business case assurance role to providing Government with an appropriate investor review (against the endorsed business case) at the critical junctures in the project life cycle: procurement, delivery and benefits realisation.

### Recommendation 2

Continue to set a mandatory and consistent standard for the development of all Queensland Government business cases by maintaining custodianship of Business Case Frameworks.

### Recommendation 3

Increase the public transparency of business cases led by BQ (or provided assurance on) by publishing sufficient information (redacting commercial-in-confidence material) to ensure confidence that the basis of Government's investment decision was robust and in the public interest.

## Recommendation 4

Reduce the current publication frequency of the Infrastructure Pipeline from bi-annual to annual with a mid-cycle (6-monthly) update of material changes. This recommendation aligns with the Building Queensland Act which contemplates the preparation of an initial Infrastructure Pipeline with 6-monthly updates.

## Recommendation 5

Maintain a Board composition of five Board Members from the Private Sector and three Board Members from Queensland Government Departments to ensure a balanced and independent Board.

## Recommendation 6

Permit the Government Board Members to appoint a senior executive as their proxy to attend and vote at a Board Meeting.

## Recommendation 7

Develop and communicate a map of the various Queensland Government bodies that have a critical role in the prioritisation, investment decision, development and approval, funding and delivery of infrastructure.

## Recommendation 8

Explore in greater depth the differences and similarities between ICT projects and traditional physical infrastructure and the implications for BQ's role in leading business cases for major ICT projects.



# Appendix A

Dr Peter Wood

Curriculum Vitae



## Dr Peter Wood

Principal and Co-Chairman



### Overview

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Peter is recognised as a leading authority in the infrastructure sector. He has worked in the industry for more than 35 years throughout Australia and internationally – as Regional General Manager for a major international contractor, Global Managing Director for an international infrastructure advisory firm and as Co-Chairman of E3 Advisory.

He is experienced in all aspects of infrastructure from project prioritisation, investment analysis and business case assurance, establishing project governance frameworks, procurement strategies and construction through to strategic asset maintenance and benefits realisation of the original Business Case. This accumulation of broad and deep experience gives him a rich, clear understanding of the investment decision and how to improve infrastructure outcomes in the complexities of a government context.

For many years Peter has been a trusted advisor to all levels of government, particularly Central Agencies and Statutory Infrastructure Authorities. This advice has covered the development of investor assurance frameworks, improving organisational effectiveness, the procurement of multi-million and billion dollar projects, National Best Practice Guidelines (Project Definition, Budgets, Governance, Performance), how to improve value-for-money outcomes, Independent Review of Infrastructure Bodies and the efficacy of leading infrastructure practices from around the world.

### Signature Recent Engagements

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- Citytrain Response Unit (established pursuant to the recommendations of the Queensland Rail Strachan Inquiry)
  - Strategic Advisor to the Chair
- National Report by Gratton Institute of Cost Overruns of Australian Infrastructure Projects (many billions \$ – 2016)
  - Peer Reviewer for Gratton Institute
- Queensland Governments Infrastructure Portfolio Office (est. \$10 billion per annum – 2016)
  - Expert Advisor on strategic reporting, controls and forecasts
- Building Queensland (multibillion per annum – 2016)
  - Expert Advisor to Board of Building Queensland on various matters (e.g. Organisational Strategy and Business Case Assurance)
- Infrastructure NSW (INSW) Lead Advisor on capital performance review of some \$60 billion of projected infrastructure projects. This major review included senior stakeholder engagement, an assessment of good practice internationally and domestically at all stages of the infrastructure lifecycle.
- Infrastructure NSW (INSW) Investor Focussed Project Reviews
  - Lead Advisor: developing framework for investor focussed reviews of major projects
- Queensland Flood Reconstruction (\$13 billion – 2013)
  - Lead Advisor: Value for Money Strategy, Performance Reviews on Completion
  - Commercial Director (seconded for initial 6 months of project)



## **Dr Peter Wood**

Principal and Co-Chairman

- Contingency Management across Whole of Government portfolio of major infrastructure projects (est. \$20+ billion – 2012). Peer Review of Method and Findings.
- Lead Advisor for over 5 years to the Council of Australian Governments in developing a suite of National Guidelines for Resource, Engineering and Building projects (including almost all recognised forms of contract and addressing Procurement, Business Case, Project Governance, Project Budgets, Project Definition) (multibillion \$ – 2009/12)
- Review for State Infrastructure body into the varying roles, functions and challenges of the various Australian infrastructure bodies
- Research for Council of Australian Government into performance of Alliance Projects (est. \$70 billion – 2009/11). Research published as “In Pursuit of Additional Value”.
- Independent Review for a State Government Special Purpose Delivery Authority of whether value for money was achieved on their multi-billion project (details confidential) (2014)

### **Qualifications**

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- |  |  |
|--|--|
| • Bachelor of Engineering (First Class Honours)              | • Doctor of Business Administration (Infrastructure) |
| • Certified Gateway Reviewer                                 | • Master of Business Administration                  |
| • Alumnus of Monash University, Harvard Business School, QUT | • Advanced Diploma Corporate Governance              |
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# Appendix B

Building Queensland's Role  
Brief (containing Terms of  
Reference)

## Appendix B Building Queensland’s Role Brief to the Author Containing Terms of Reference

ROLE BRIEF	
Role	Administrative Review of the operating arrangements of Building Queensland
Purpose	Building Queensland is seeking responses from a suitably experienced and qualified resource, who can undertake an administrative review (the Review) of the effectiveness of the operating arrangements of Building Queensland, 12 months after its establishment (December 2015 – December 2016) – review may address any issue since December 2016.
Background	<p>Building Queensland was formally established on 3 December 2015, with the commencement of the <i>Building Queensland Act 2015</i> (the Act). The Review will consider the period from 3 December 2015 to 2 December 2016.</p> <p>Building Queensland, in consultation with the Deputy Premier’s Office and the departments represented on the Building Queensland Board (Department of the Premier and Cabinet, Queensland Treasury and Department of Infrastructure, Local Government and Planning) have developed the scope for the Review, which is outlined below.</p>

## Scope

Undertake the review of the efficacy of the operating arrangements of Building Queensland (12 months after its establishment).

1. Whether Building Queensland has delivered in accordance with its functions as set out in the Act, in particular:
  - a. include information on the achievement of key activities and deliverables relating to these functions over the 12-month period
  - b. identify issues associated with implementation of its functions over the period of the Review.
2. How the establishment of an independent statutory body has provided benefits in terms of providing independent advice, development of rigorous frameworks, preparation of the infrastructure pipeline and the development of robust business cases, and where there may be opportunities for improvement.
3. Whether there has been an appropriate level of engagement and reporting to the Minister and other key stakeholders, and the effectiveness of this engagement and reporting. Where appropriate this will extend upon the findings of an independent review undertaken for the Building Queensland Board between August and September 2016.
4. An assessment of the policies and procedures developed by Building Queensland to ensure compliance with relevant legislative obligations such as the *Building Queensland Act 2015*, *Auditor-General Act 2009*, *Financial Accountability Act 2009*, *Financial and Performance Management Standard*, *Statutory Bodies Financial Arrangements Act 1982*, the *Public Service Act 2008* and other relevant legislation and regulations.
5. An assessment of the operational effectiveness of Building Queensland. This will include a review of the annual budget and performance against this budget, resourcing supporting the organisation, processes for managing financial and other reporting and assurance and risk management processes at both the organisation and project level.
6. The effectiveness of the current governance arrangements for Building Queensland.

To ensure that the findings of the review undertaken between August and September 2016 are effectively captured and where appropriate extended upon, this previous report and other relevant material will be made available to the advisor on appointment.

The advisor will review internal processes and procedures and interview stakeholders to gather information and develop findings based on the scope.

Key stakeholders that may be consulted in the preparation of the Review include:

- Deputy Premier's Office
- agencies responsible for projects that Building Queensland has prepared a strategic/preliminary/detailed business case for during the Review period-
  - Department of Transport and Main Roads
  - Public Safety Business Agency
  - Queensland Health
  - SunWater
  - Queensland Rail.
- Building Queensland Board members
- Building Queensland Chief Executive Officer and Group Directors
- Department of the Premier and Cabinet; Department of Infrastructure, Local Government and Planning; Queensland Treasury.

Other Building Queensland stakeholders that may be consulted in the Review include:

- Infrastructure Australia
- Australian Government Department of Infrastructure and Regional Development
- industry bodies (e.g. Infrastructure Association of Queensland, Consult Australia).

The advisor will prepare a draft Report structured around the Review findings and should also include recommendations that could improve the functions and efficiency of operations of Building Queensland.

# Appendix C

Part A: List of Interviewees

- This Review March 2017

Part B: List of Interviewees

- Review September 2016



## Appendix C Part A: List of Interviews March 2017

The table below provides a list of interviewees from the Independent Review undertaken in March 2017

	Name	Date	Title, Organisation
1	Roger Simons	14/03/17	Acting Group Director, Business Case Group Building Queensland
2	Catherine Harch	14/03/17 & 15/03/17	Group Director Strategy, Building Queensland
3	Colin Royce	14/03/17	Group Director Governance & Business Services, Building Queensland
4	Richard Snabel	14/03/17	Group Director Frameworks, Building Queensland
5	Matt Collins	17/03/17	Chief of Staff, Office of the Deputy Premier
6	Frankie Carroll	20/03/17	Director-General, Department of Infrastructure, Local Government and Planning; Board Member Building Queensland
7	Steve Abson	20/03/17	CEO, Infrastructure Association of Queensland
8	John Forster	21/03/17	Acting Commissioner, Queensland Corrective Services
9	Sally Noonan	21/03/17	Deputy Director-General, Department of Transport and Main Roads
10	R Crosby	21/03/17	Townsville Port Authority
11	Graham Hooper (Telecon)	22/03/17	Board Member, Building Queensland
12	Alan Millhouse	23/03/17	Chair, Building Queensland
13	David Jackson	23/03/17	Director, Queensland Treasury
14	Nicole Hallows	24/03/17	Chief Executive, SunWater
15	Dave Stewart	24/03/17	Director-General, Department of the Premier and Cabinet; Board Member Building Queensland
16	Jim Murphy	27/03/17 (Meeting Cancelled)	Under Treasurer, Queensland Treasury; Board Member Building Queensland
17	Gavin Ross	27/03/17	Infrastructure Financing Director, Building Queensland
18	Dallas Stower	28/03/17	Assistant Director-General, Strategic ICT Division, Department of Science, Information Technology and Innovation
19	Bronwyn Nardi	28/03/17	Executive Director, Infrastructure Strategy & Planning Branch, Strategy, Policy and Planning Division, Queensland Health
20	Darren Crombie	28/03/17	Deputy Director-General, Department of Infrastructure, Local Government and Planning
21	Lindsay Le Compte (Telecon)	29/03/17	Executive Director, Australian Constructors Association
22	Graham Fraine	29/03/17 (Meeting Cancelled)	Deputy Director-General (Policy), Department of the Premier and Cabinet, Queensland Government
23	Jacqui Walters	6/4/17	Board Member, Building Queensland

A total of 21 interviews were conducted.

## Appendix C Part B: List of Interviews August – September 2016

The table below provides a list of interviewees from the Independent Review undertaken August to September 2016

	Name	Date	Title, Organisation
1	Graeme Garrett Rob Fleming	11/08/16	Acting Executive Director, Treasury Director, Treasury
2	David Lynch	16/08/16	Business Case Project Director, BQ
3	Helen Gluer Arthur Stamatoudis Liam Gordon	16/08/16	Chief Executive Officer, QR General Manager Major Projects, QR Executive General Manager Capital Projects
4	David Quinn	16/08/16	Chief Executive Officer, BQ Board Member
5	Neil Scales Matt Longland Michelle	16/08/16	Director General, TMR TMR TMR
6	Gavin Nicholls	18/08/16	CRR Project Director, TMR
7	Dave Stewart	29/08/16	BQ Board Member
8	Dr Catherin Bull	01/09/16	BQ Board Member
9	Alan Millhouse	01/09/16	BQ Board Member
10	Graham Hooper	01/09/16	BQ Board Member
11	James Mackenzie	05/09/16	BQ Board Member
12	Phil Davies Anna Chau	07/09/16	Chief Executive Officer, IA Executive Director, IA
13	Andrew Danks	07/09/16	General Manager, DIRD
14	Frankie Carroll	08/09/16	BQ Board Member
15	Jim Murphy	13/09/16	BQ Board Member
16	Jacqui Walters	12/09/16	BQ Board Member

A total of 16 interviews were conducted with 19 interviewees.

# Appendix D

Assessment of Whether  
Building Queensland has  
Delivered its Legislative  
Functions

## Appendix D Assessment of Whether Building Queensland has Delivered its Legislative Function

Building Queensland’s Legislative Functions as set out in the *Building Queensland Act 2015* Part 2 Division 2

Legislative Function	Key Activities & Deliverables (since establishment)
<p><b>10 Provision of Advice</b></p> <p>(1) Building Queensland is to provide independent expert advice to the State and government agencies about infrastructure, including advice about the following—</p> <ul style="list-style-type: none"> <li>(a) the State’s current and future needs and priorities relating to infrastructure;</li> <li>(b) policy, pricing and regulatory issues that may impact on the use of infrastructure;</li> <li>(c) impediments to the efficient use of infrastructure;</li> <li>(d) options and reforms, including regulatory reforms, to make the use of infrastructure more efficient;</li> <li>(e) emerging national and international trends in policies about infrastructure;</li> <li>(f) the needs of users of infrastructure;</li> <li>(g) procurement, project finance and other emerging national and international trends in the delivery of infrastructure projects;</li> <li>(h) the delivery of an infrastructure project.</li> </ul> <p>(2) Advice about infrastructure must be based on rigorous analysis taking into account—</p> <ul style="list-style-type: none"> <li>(a) forecast growth; and</li> <li>(b) economic, social and environmental sustainability; and</li> <li>(c) cost benefit analysis; and</li> <li>(d) community benefits, including social return on investment.</li> </ul> <p>(3) Advice about procurement or the delivery of an infrastructure project may include an evaluation of—</p> <ul style="list-style-type: none"> <li>(a) the project against any set targets; or</li> <li>(b) any relevant assumptions made during procurement or the delivery of the project</li> </ul>	<p><i>BQ has provided advice to the State in the areas of:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Infrastructure Pipeline (Refer Item 15 following)</i></li> <li>▪ <i>Business Case Frameworks (Refer Item 11 following)</i></li> <li>▪ <i>Input to the State Infrastructure Plan (Refer Building Queensland Annual Report 2015-2016)</i></li> <li>▪ <i>Northern Australia Infrastructure Facility (Refer Building Queensland Annual Report 2015-2016)</i></li> </ul>

Legislative Function	Key Activities & Deliverables (since establishment)
<p><b>11 Development of framework for assessing costs and benefits of infrastructure projects</b></p> <p>Building Queensland is to develop a framework for assessing the costs and benefits of infrastructure projects.</p>	<p><i>Frameworks were developed and published by Building Queensland in May 2016. These include:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Prioritisation Framework</i></li> <li>▪ <i>Business Case Development Framework</i></li> <li>▪ <i>Business Case Internal Assurance Frameworks</i></li> <li>▪ <i>Project Internal Assurance Framework</i></li> </ul>
<p><b>12 Assistance in preliminary preparation of infrastructure proposals</b></p> <p>(1) Building Queensland may assist a government agency in the preliminary preparation of an infrastructure proposal if the proposal is likely to become a proposal to which section 14(1)(a) or (b) will apply.</p> <p>(2) Also, Building Queensland is to assist a government agency in the preliminary preparation of an infrastructure proposal if directed by the Minister and to the extent directed by the Minister.</p> <p>(3) Within 28 days after the end of each 6-month period after the commencement, Building Queensland is to give the Minister a summary, as approved by the board, of each infrastructure proposal it assisted with during that period.</p> <p>(4) In this section— <b><i>preliminary preparation</i></b>, of an infrastructure proposal, means the consideration or development of the proposal before the preparation of a business case for the proposal.</p>	<p><i>Building Queensland has provided assistance to over 20 proposals.</i></p> <p><i>Author sighted (10/05/17) BQ’s SharePoint site (Project Index) listing proposals where BQ had an assist role.</i></p>
<p><b>13 Evaluation of proposals about infrastructure</b></p> <p>(1) Building Queensland may evaluate proposals for investment in new infrastructure or enhancements to existing infrastructure.</p> <p>(2) Within 28 days after the end of each 6 month period after the commencement, Building Queensland is to give the Minister a summary, as approved by the board, of each proposal evaluated by it during that period.</p>	<p><i>This function is undertaken as part of Item 15 (preparation of Infrastructure Pipeline)</i></p>

Legislative Function	Key Activities & Deliverables (since establishment)
<p><b>14 Preparation of business cases for infrastructure proposals</b></p> <p>(1) Building Queensland is to—</p> <p>(a) assist in the preparation of the business case for an infrastructure proposal with an estimated capital cost more than \$50 (but less than \$100) million or if the net present value of financial commitments entered into by the State for the proposal is estimated to be more than \$50 (but less than \$100) million; and</p> <p>(b) lead the preparation of the business case for an infrastructure proposal with an estimated capital cost of \$100 million or more, or if the net present value of financial commitments entered into by the State for the proposal is estimated to be \$100 million or more; and</p> <p>(c) if directed by the Minister—</p> <p>(i) assist in the preparation of the business case for any other infrastructure proposal; or</p> <p>(ii) lead the preparation of the business case for any other infrastructure proposal.</p> <p>(2) If Building Queensland acts under subsection (1)(b) or (c)(ii) in relation to an infrastructure proposal it must give the Minister the following information—</p> <p>(a) details of the productivity gains that may be anticipated from the proposal, including if any complementary infrastructure may be required to maximise the productivity gains from the proposal;</p> <p>(b) the time-frames for delivering the proposal;</p> <p>(c) a cost-benefit analysis for the proposal.</p> <p>(3) The cost-benefit analysis for an infrastructure proposal must be prepared using a method, approved by Building Queensland, that</p>	<p><i>Building Queensland has led, or is leading, the preparation of over 8 Business Cases of a size described in this legislative function. (Refer Annual Report 2015-2016).</i></p> <p><i>Building Queensland has provided the minister with the relevant Business Cases which contain the information described in this function.</i></p> <p><i>The Author sighted (10/05/17) cover letters from Chair of BQ to relevant Minister, providing business cases for:</i></p> <ul style="list-style-type: none"> <li>• <i>Beerburrum to Nambour Rail Upgrade</i></li> <li>• <i>ETCs – Inner City</i></li> </ul> <p><i>These letters noted that the business cases include:</i></p> <ul style="list-style-type: none"> <li>• <i>Details of productivity gains</i></li> <li>• <i>Timeframes</i></li> <li>• <i>Cost/benefit analysis prepared using the BQ Business Case Development Framework</i></li> </ul>

Legislative Function	Key Activities & Deliverables (since establishment)
<p>enables any infrastructure proposals to be compared.</p>	
<p><b>15 Preparation of infrastructure pipeline document</b></p> <p>(1) Building Queensland is to prepare and maintain a document (the infrastructure pipeline document) that is to state the following for each infrastructure proposal or infrastructure project Building Queensland considers to be a priority for the State—</p> <p>(a) the stage of development of the proposal or project;</p> <p>(b) an estimate of the cost to deliver the proposal or project.</p> <p>(2) Building Queensland must give a copy of the document, or an update to the document, to the Minister every 6 months after it is first prepared.</p>	<p><i>Infrastructure Pipeline Documents were prepared and a copy subsequently provided to the Minister in:</i></p> <p><i>June 2016, and</i></p> <p><i>December 2016.</i></p> <p><i>Both Pipelines were published on Building Queensland’s Website.</i></p>
<p><b>16 Lead procurement or delivery of particular infrastructure projects</b></p> <p>(1) Building Queensland is to lead the procurement or delivery of a particular infrastructure project if directed by the Minister and to the extent directed by the Minister.</p> <p>(2) However, before giving a direction under subsection (1) in relation to an infrastructure project the Minister must consult with each responsible Minister for the project about the extent to which Building Queensland is to lead the procurement or delivery of the project.</p> <p>(3) In this section—</p> <p><b>responsible Minister</b>, for an infrastructure project, means—</p> <p>(a) for an infrastructure project of a department or an administrative unit within a department—the Minister who administers the department; or</p>	<p><i>Building Queensland has not yet been directed by the Minister to provide this function.</i></p>

## Legislative Function

## Key Activities & Deliverables (since establishment)

- (b) for an infrastructure project of a government owned corporation or a subsidiary of the corporation—a shareholding Minister for the corporation under the Government Owned Corporations Act 1993, section 78; or
- (c) for an infrastructure project of an entity that is established under an Act—the Minister administering the provision of the Act under which the entity is established.

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**17 Publishing information and promoting public awareness** *This information is provided on BQ's website.*

- (1) Building Queensland is to—
    - (a) publish a summary, as approved by the board, of each cost-benefit analysis mentioned in section 14(2)(c) on its website; and
    - (b) publish a summary mentioned in section 12(3) or 13(2) on its website as soon as practicable after giving the summary to the Minister; and
    - (c) publish the infrastructure pipeline document, and each update to the document, on its website within 28 days after giving the document or update to the Minister; and
    - (d) publish a direction, given by the Minister under this division, on its website within 28 days after receiving the direction; and
    - (e) promote public awareness of its functions.
  - (2) Building Queensland may also publish any information relevant to its functions.
  - (3) However, Building Queensland must omit any confidential information in a document before publishing it under subsection (1) or (2). (4) In this section—  
**infrastructure pipeline document** see section
-



**Legislative Function**

**Key Activities & Deliverables  
(since establishment)**

15(1).

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# Appendix E

Assessment of Compliance with  
Legislative Obligations

## Appendix E Assessment of Compliance with Legislative Obligations

### Compliance Management System

The scope of the BQ Compliance Management System (CMS) includes:

1. compliance with Act(s) and subordinate legislation which apply to Building Queensland
2. compliance with policies, standards and practices established by:
  - Building Queensland
  - central agencies (e.g. Public Service Commission–Directives) for which Building Queensland needs to ensure uniform and consistent application
3. establishment of controls to ensure the compliance with 1 and 2 above. <sup>1</sup>

The controls to ensure compliance with 1 and 2 are set out in the table below:

Controls	Purpose of the Control ('extract', page)
<b>Compliance Plan 2016-17 - Draft</b>	Identifies: ... how Building Queensland will internally assess how its meeting its obligations in a systematic way. <b>p3</b>
<b>Compliance Management System - September 2016</b>	Defines how BQ: <ul style="list-style-type: none"> <li>• learns about its compliance responsibilities</li> <li>• ensures that employees understand these responsibilities</li> <li>• ensures that requirements are incorporated into business processes</li> <li>• reviews operations to ensure responsibilities are carried out and requirements are met</li> <li>• takes corrective action and updates business processes as necessary. <b>p4</b></li> </ul>
<b>Compliance Management System - Compliance Register August 2016</b>	Identifies: ... the internal controls, and assist in informing Building Queensland's personnel of their specific role and general compliance obligations. <b>p3</b>  An internal control is defined as: 'Systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organisation to (1) conduct its business in an orderly and efficient manner, (2) safeguard its assets and resources, (3) deter and detect errors, fraud, and theft, (4) ensure accuracy and completeness of its accounting data, (5) produce reliable and timely financial and management information, and (6) ensure adherence to its policies and plans.' <b>p7</b>
<b>Compliance Calendar</b>	Identifies compliance obligations (including legislative) and the reporting requirements for the Risk and Audit Committee, including: <ul style="list-style-type: none"> <li>• Compliance cycle (e.g. 3,6,12 months)</li> <li>• Date of last review (including any notes and the outcome (pass/fail))</li> <li>• Date of next review</li> </ul>

<sup>1</sup> Compliance Management System (September 2016) – extract of CMS scope p7

Controls	Purpose of the Control ('extract', page)
<b>Annual Compliance Report – December 2016</b>	A report addressing: <ul style="list-style-type: none"> <li>• <i>the review of the operation of the policies and procedures of Building Queensland</i></li> <li>• <i>material changes made to those policies and procedures since the implementation of the Compliance Management System</i></li> <li>• <i>substantial compliance matters that have occurred since the implementation of the Compliance Management System. p3</i></li> </ul>
<b>Internal Assurance Frameworks</b>	Internal Assurance Annual Operational Plan defines 'what' assurance activity and 'when' it will be undertaken. (refer CMS p17) <sup>2</sup>
<b>External Audit</b>	Under the Auditor-General Act 2009, the Queensland Audit Office (QAO) is required to undertake annual Performance audits– which includes evaluating whether an entity, program or activity is achieving its objective economically, efficiently and effectively and in compliance with all relevant legislation. (refer CMS p17) <sup>3</sup>

The legislative obligations identified in the Compliance Register are provided in the table below. The table includes a reconciliation against the specific legislative obligations identified in the Terms of Reference sub-question 4.

Legislative obligations identified in the Compliance Register	Legislative obligation per Terms of Reference (ToR)
<b>Public Interest Disclosure Act 2010</b>	Not in TOR
Public Sector Ethics Act 1994	Not in TOR
Information Privacy Act 2009	Not included in TOR
Privacy Act 1988	Not included in TOR
Right to Information Act 2009	Not included in TOR
Financial Accountability Act 2009	✓
Financial and Performance Management Standard 2009	✓
Statutory Bodies Financial Arrangements Act 1982	✓
Statutory Bodies Financial Arrangements Regulation 1997	Not included in TOR
Building Queensland Act 2015	✓
Public Service Act 2008	✓

<sup>2</sup> Compliance Management System (September 2016) page 17

<sup>3</sup> Compliance Management System (September 2016) page 17

Public Records Act 2002	Not included in TOR
<b>NOT LOCATED IN COMPLIANCE REGISTER</b>	Auditor General Act <sup>4</sup>

### Compliance Review and Reporting

BQ conducts a review and reports on the operation of its policies and procedures to the Risk and Audit Committee on an annual basis. Compliance with BQ’s Legislative Obligations was included in the most recent review (conducted December 2016). The Annual Compliance Report concluded: *‘No deficiencies were identified during compliance activities over the past six months.’*<sup>5</sup>

QAO are required to perform annual audits (Financial Audits and Performance Audits) of BQ. QAO conducted an audit on site from the 11th to the 26th April 2016 (inclusive) and reviewed key risk areas including Compliance and *‘no material issues were identified.’*<sup>6</sup>

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<sup>4</sup> Note, although not identified in the Compliance Register, BQ has provided evidence of QAO audits having been performed – refer section 0.

<sup>5</sup> Annual Compliance Report (December 2016) Conclusions p4.

<sup>6</sup> Board Memorandum (23 May 2016) QAO – Findings from Interim Audit of Building Queensland.

# Appendix F

Assessment of

Operational Effectiveness

## Finding 5: BQ’s operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance

This Finding addresses Terms of Reference Question 5.

*“An assessment of the operational effectiveness of Building Queensland. This will include a review of the annual budget and performance against this budget, resourcing supporting the organisation, processes for managing financial and other reporting and assurance and risk management processes at both the organisation and project level.”.*

Support of this finding is contained within in Appendix F which provides an assessment of BQs operational functions (budget development, resource management etc).

# 1 BQ’s operational effectiveness is sound: budgeting, resourcing, management, reporting and risk compliance

This finding addresses Terms of Reference sub-question 5.

*An assessment of the operational effectiveness of Building Queensland. This will include a review of the annual budget and performance against this budget, resourcing supporting the organisation, processes for managing financial and other reporting and assurance and risk management processes at both the organisation and project level.*

BQ has developed practices for operational effectiveness including budgeting, resourcing, management, reporting and risk compliance practices at both the organisation and project level.

Operational effectiveness is reviewed and reported by BQ’s internal assurance and governance arrangements and external audit by the Queensland Audit Office (QAO). The outcomes of BQ’s 2016 internal assurance review and QAO audit, found no material issues.

## 1.1 Operational Arrangements

BQ’s operational requirements are established by the following:

1. *the Building Queensland Act 2015*
2. *the Financial Accountability Act 2009*
3. *the Financial and Performance Management Standard 2009.*

BQ has adopted and applied operational arrangements to address these requirements, including management controls set out in the table below:

BQ Controls	Application of Controls ( <i>‘extract’</i> , page)
FINANCIAL CONTROL	
Finance Manual	<p><i>The Manual provides [financial management] policies, procedures, delegations and arrangements to enable Building Queensland to carry out day-to-day accounting and financial functions. (p1)</i></p> <p>The Manual identifies how BQ:</p> <ul style="list-style-type: none"> <li>• Undertakes operational planning for outputs to be delivered during the next one year timeframe in sufficient detail for actual performance to be assessed against planned performance. <b>p5</b></li> <li>• Addresses the resources needed for each major function or activity to meet requirements. <b>p5</b></li> <li>• Prepares an annual budget, undertakes a budget review, and reports monthly on actual expenditure against budget and any significant variations. <b>p6</b></li> <li>• Adopts internal control to safeguard its assets, check the reliability and accuracy of its accounting information and secure compliance with prescribed requirements. <b>p7</b></li> </ul>
Annual Budget	<p>The annual budget details BQ’s estimate of costs to deliver its functions under the Act for the next financial year, based on its forecast of key deliverables (business cases). [It is noted that some of BQ’s functions and</p>



BQ Controls	Application of Controls ('extract', page)
	deliverables may result in variable workload and associated costs, subject to directions of the Minister or changes to infrastructure priorities.]
<b>Annual Operation Plan and Resourcing</b>	<p>In conjunction with its annual budget, the BQ annual operational plan provides a resource forecast covering its five core workstreams:</p> <ul style="list-style-type: none"> <li>• Corporate</li> <li>• Strategy</li> <li>• Frameworks</li> <li>• Early stage project development</li> <li>• Business cases (lead and assist).</li> </ul> <p>Resourcing levels are structured and prioritised to fit with an overall target resource limit for BQ of 30 FTEs. [It is noted that BQ has achieved some resourcing efficiencies to accommodate a broader remit (including GOCs and Statutory Bodies) with the FTE limit.]</p>
<b>Performance Reporting</b>	<p>BQ reporting of its operational activity includes:</p> <ul style="list-style-type: none"> <li>• Monthly reporting of actual costs against budget and resourcing against the operational plan by way of the CEO's Board Report and Executive dashboard.</li> <li>• An Annual Financial Performance Report to the Board</li> <li>• An Annual Report including key achievements, performance of BQ's functions and audited financial statements</li> </ul>
<b>INTERNAL ASSURANCE</b>	
<b>Business Internal Assurance Framework</b>	Defines: ... BQ's internal assurance model, approach and commitment to assurance in accordance with best practice ... for all business services performed by BQ across its entire organisation. <b>p4, p6</b>
<b>Project Internal Assurance Framework</b>	Defines: ... BQ's internal assurance model, approach and commitment to assurance in accordance with best practice ... where BQ is leading the development of project Detailed Business Cases or undertaking a project review for an external agency. <b>p5, p9</b>
<b>Internal Assurance Guideline</b>	<p><i>The Guide has been developed to articulate how the internal assurance service will be delivered. p5</i></p> <p><i>The Guide describes (p6):</i></p> <ul style="list-style-type: none"> <li>• how business and project assurance processes will be applied and managed</li> <li>• the review and escalation process</li> <li>• how improvement opportunities will be undertaken</li> <li>• specifies roles and responsibilities.</li> </ul>
<b>Annual Internal Assurance Plan</b>	<i>The Plan outlines the proposed internal assurance activities including the objectives, scope, and target business areas and projects, based on BQ's risk profiles. p4</i>
<b>RISK MANAGEMENT</b>	
<b>Business Risk Management Policy</b>	The Policy defines BQ's overarching approach to business risk.
<b>Business Risk Management Plan</b>	The Plan defines how the Policy is implemented to address business risk management and BQ's risk management processes.
<b>Business Risk Register</b>	<p>Identifies BQ risks, provides assessment of risks and specific risk mitigation strategies.</p> <p>It is noted that virtually all of BQ's critical business risks have been mitigated through strategies described in the risk register.</p>

## 1.2 Review and Reporting

BQ reviews and assesses its operational effectiveness through its internal assurance, governance and reporting processes.

The Annual Report 2015-2016 indicates that the early establishment activities and achievements of BQ have met or exceeded initial expectations of its operational performance against objectives.

The BQ Internal Assurance Report for the period January to December 2016, concluded that:

- *Project and Business Case Assurance*  
*BQ is managing its projects effectively, and continues to grow its project management maturity, development of its methodology and standardised practises.*  
*Several business improvement opportunities in the areas of project governance, project on-boarding, project controls and documentation have been identified.*
- *Business Assurance*  
*To date no non-compliances have been identified.*  
*During 2016, the business assurance Toolkit has been being developed with the delivery of assurance activities scheduled from January 2017.*

While these findings are encouraging it is noted that BQ's business practices have to date primarily been in the development, documentation and initial review and improvement phases.

The CEO Reports to Board Meetings made available for the period July to December 2016, indicate that BQ is operating within its approved budget and resourcing levels for 2016-2017.

## 1.3 External Audit

The Queensland Audit Office (QAO) is required to perform annual audits (Financial Audits and Performance Audits) of BQ, which include evaluating whether the entity is achieving its objectives economically, efficiently and effectively.

QAO conducted an audit on site from the 11th to the 26th April 2016 (inclusive) including a review of key risk areas. The audit found that *'no material issues were identified'*.