



The
Treasury

TPP17-02

Recurrent Investor Assurance Framework

Gateway Coordination Agency Framework
for Major Recurrent Projects under the NSW Gateway Policy

Version 1.1 | February 2017

Preface

Gateway is a critical component of the overall Government assurance approach designed to identify and mitigate the risks associated with investing in major programs and projects, and support the effective delivery of Government objectives and outcomes. It provides an opportunity for major proposals, which meet certain criteria and that involve the investment of Government resources, to undergo an independent peer review at key stages of a project lifecycle.

Gateway's role is to identify risks and provide advice to strengthen project justification, delivery and benefit realisation. Since its introduction in 2004, Gateway's primary design has been to add value to the project and the sponsor, which in turn has indirect positive impacts for government investment.

NSW Treasury undertook a review of the NSW Gateway Policy which recommended that the Policy adopt a risk based approach in determining the application of Gateway and that it be expanded to include major recurrent projects.

In 2016 NSW Treasury developed an updated Policy which adopted the recommendations from the review. The Policy allowed for the development of risk frameworks for capital, ICT and major recurrent projects, based on the principles of Gateway, to support the application of a risk based approach to Gateway Reviews.

Treasury has now developed the Recurrent Investor Assurance Framework, in alignment with the principles set out in the NSW Gateway Policy, in order to provide assurance for both the investor and delivery agency for major recurrent projects. This will support delivery of value for money to NSW taxpayers for Government investment decisions from inception through to delivery and benefit realisation.

Rob Whitfield
Secretary
NSW Treasury
February 2017

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Note

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This publication can be accessed from the Treasury's website www.treasury.nsw.gov.au

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1. Definitions

Definitions	
Capital Project	A project primarily comprised of one or more of the following elements: <ul style="list-style-type: none"> • Infrastructure • Equipment • Property developments • Operational technology that forms a component of a capital project.
Clearance of Gate	Notification to a delivery agency, by NSW Treasury, that a Gateway Review or Health Check for a project has been cleared and an appropriate Close-out Plan is in place to assist with project development or delivery. It does not constitute approval or an endorsement of a Gateway Review or Health Check.
Close-Out Plan	Document outlining actions, responsibilities, accountabilities and timeframes that respond to recommendations identified in Gateway Review and Health Check Final Reports.
Complex Project	A project delivered in multiple stages and potentially across varying time periods. This could also be across a large (but connected) geography. Individual project stages may be identified during the development phase or during the procurement and delivery phases. This occurs when individual project stages are being procured and delivered under different contracts or arrangements and potentially over different time periods. In some cases, these individual project stages may have a different Project Tier to the overall complex project.
Delivery Agency	The Government agency tasked with developing and/or delivering a program or project applicable under this Framework and the NSW Gateway Policy.
Equipment	The necessary assets used on or to support an infrastructure system and can include fleet and rolling stock.
ERC	The Expenditure Review Committee of NSW Cabinet.
Expert Reviewer Advisory Group	An advisory group providing advice on Expert Reviewer capability, gaps and requirements to support a high performance Expert review team. NSW Treasury will be represented in this Group.
Expert Review Panel	A panel comprising independent highly qualified Expert Reviewers established to cover all aspects of Gateway Review needs.
Expert Review Team	A team of expert independent reviewers, sourced by NSW Treasury, engaged to undertake a Gateway Review or Health Check.
Estimated Total Cost (ETC)	Total capital spend (including from capital envelopes) and recurrent spend of the project/program, including the non-ICT components, over a period of time defined in the project/program business case.

Gate	Particular decision point(s) in a project or program's lifecycle when a Gateway Review may be undertaken.
Gateway	A project assurance process that assesses projects or programs based on risk in order to mandate and conduct independent peer reviews at key decision points, or gates, in a project or program's lifecycle. Gateway provides independent assurance to both the investor and delivery agency regarding the project or program's preparedness for success.
Gateway Coordination Agency (GCA)	The agency responsible for the design and administration of an approved, model for the risk assessment of projects or programs, the coordination of Gateway Reviews and the reporting of performance of the Gateway Review Process. The GCA for major recurrent projects is NSW Treasury.
GCA Framework	A framework, designed and operated by a GCA, that assesses the risks associated with a project or program of a particular nature in order to determine the application of Gateway. A GCA Framework defines the roles and responsibilities to deliver Gateway and should align with the Gateway review process outlined in the NSW Gateway Policy.
Gateway Review	A review of a project or program by an independent team of experienced practitioners at a specific key decision point (gate) in a project or program's lifecycle. A Gateway Review is a short, focused, independent expert appraisal of the project or program that highlights risks and issues, which, if not addressed, may threaten successful delivery. It provides a view of the current progress of a project or program and assurance that it can proceed successfully to the next stage if any critical recommendations are addressed.
Health Check	Independent reviews carried out by a team of experienced practitioners seeking to identify issues in a project/program which may arise between Gateway Reviews.
ICT Project	Resources required to acquire, process, store and disseminate information. This includes stand-alone operational technology projects and programs.
Infrastructure	The basic services, facilities and installations to support society and can include water, wastewater, transport, sport and culture, power, policy, justice, health, education and family and community services.
Investor	The Government, representing the State of NSW.
Major Recurrent Advisory Group	An advisory group providing advice to NSW Treasury on proposed Project Tier and Project Assurance Plans provided by delivery agencies and reviewed by the Treasury Gateway Team.
Major Recurrent Project	A non-ICT project, identified as requiring a recurrent proposal, which meets the threshold contained in this Framework.
Mixed Project	A project that contains a material combination of elements relating to multiple GCA frameworks.

Mixed Program	A program that contains a material combination of elements relating to multiple GCA frameworks.
NSW Gateway Policy	TPP17-01 NSW Gateway Policy
Operational Technology	Can include systems that relate to service delivery, such as tolling systems, rail signalling or technology to support a new school or hospital.
Policy Owner	For the purpose of the NSW Gateway Policy, the Policy owner is NSW Treasury.
Portfolio	The totality of an organisation’s investment program.
Program	For the purpose of this Framework, a program is a grouping of projects. Projects may be grouped for reasons such as geographical location, similarity or interdependency of projects.
Project Assurance Plan	Document prepared by delivery agencies and lodged with the Treasury Gateway Team for endorsement when registering projects. Project Assurance Plans detail proposed delivery agency initiated project assurance arrangements in line with the requirements of the Framework.
Project Risk Profile Tool	Appendix B to this framework, available to agencies to self-assess risk profile of projects/programs.
Project Tier	Tier-based classification of project profile and risk potential based on the project’s estimated total cost and qualitative risk profile criteria (level of government priority, interface complexity, procurement complexity, agency capability and criticality of service). The Project Tier classification is comprised of four Project Tiers, where Tier 1 encompasses projects deemed as being the highest risk and profile (Tier 1 – High Profile/High Risk projects), and Tier 4 with the lowest risk and profile.
Property Developments	Wholesale and/or retail urban renewal or Greenfield developments managed by the Government where a capital investment over \$10 million has been made to facilitate those developments.
Recurrent Proposal	Proposals that require funding for additional staff, outsourced service provision, legislative or regulatory changes including taxes and revenues or grants, as a result of new Government policies or programs or where there is a significant change in the current funding for an existing policy/program (outside the scope of an agreed parameter and technical adjustment).
Senior Responsible Officer (SRO)	The delivery agency executive with strategic responsibility and the single point of overall accountability for a project/program.
Treasury Gateway Team	The dedicated team within Treasury responsible for implementing and administering the Major Recurrent Assurance Framework, including organising Gateway Reviews.

2. Introduction

In NSW, Gateway has been available for both capital and recurrent projects and programs, however it has historically been applied primarily to capital projects. In 2016, NSW Treasury updated the NSW Gateway Policy (TPP17-01). The Policy update maintained the existing strong assurance principles in relation to capital projects but provided a more structured but tailored approach to the consideration of ICT projects and major recurrent projects.

Under the NSW Gateway Policy, NSW Treasury is designated as the Gateway Coordination Agency (GCA) for Major Recurrent Projects. As such, NSW Treasury is responsible for the implementation of a GCA framework for delivering Gateway for major recurrent projects, coordinating Gateway Reviews under the GCA framework and reporting on the performance of the framework.

The Recurrent Investor Assurance Framework (RIAF) is the GCA framework for major recurrent projects under the NSW Gateway Policy. The RIAF provides independent advice and assurance to an agency's existing internal project delivery processes and is complemented, post implementation, by the NSW Government Program Evaluation¹ process.

The objective of the RIAF is to ensure the Government's key recurrent projects across NSW are delivered on time and on budget through the implementation of this risk based external assurance framework. The purpose of the RIAF is also to ensure that the Expenditure Review Committee (ERC) is supported by effective tools to monitor the NSW Government's major new policy proposals, receive early warning of any emerging issues and to act ahead of time to prevent projects from failing.

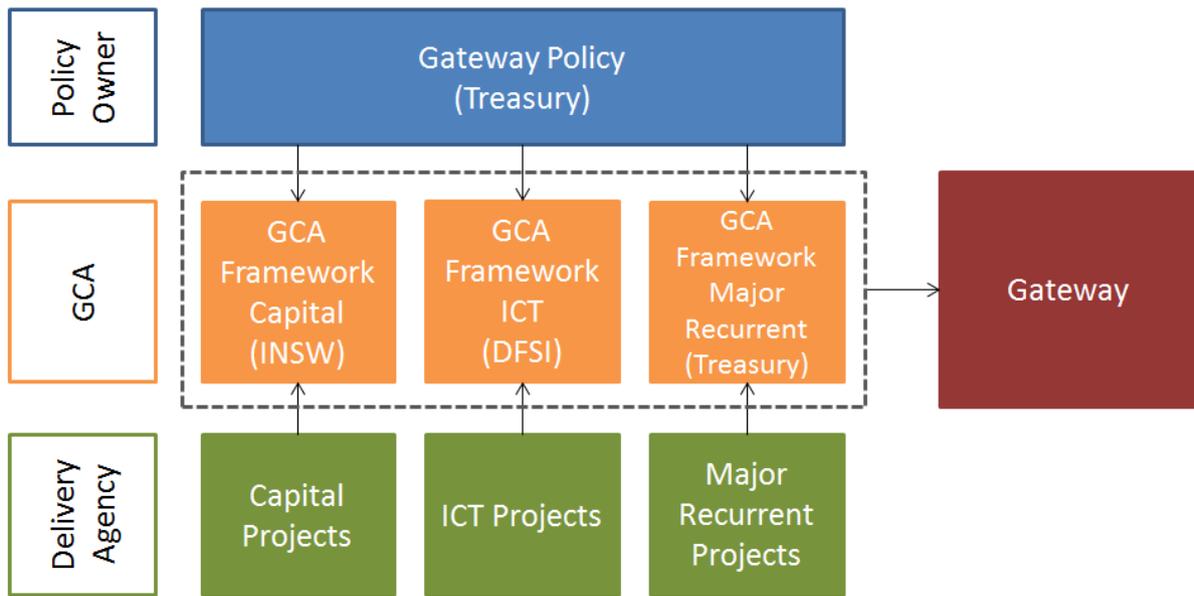
The RIAF is aligned with the Principles of Gateway as set forth in the NSW Gateway Policy. The Principles of Gateway are:

- Management of Risks
- Value for the Investor and Delivery Agency
- Independence and Confidentiality
- Transparency and Accountability
- Continuous Improvement.

Under the NSW Gateway Policy three risk based assurance frameworks will focus on specific areas of investment, with Infrastructure NSW (INSW) the coordinating agency for capital infrastructure projects, the Department of Finance, Services and Innovation (DFSI) the coordinating agency for ICT projects (capital and recurrent funded), and Treasury for major recurrent programs. Figure 1 summarises the interaction between Gateway Policy, GCA Frameworks and delivery of Gateway Reviews as well as the responsible stakeholders.

¹ http://www.dpc.nsw.gov.au/_data/assets/pdf_file/0009/155844/NSW_Government_Program_Evaluation_Guidelines.pdf

Figure 1 Gateway Policy Framework



3. Framework Principles

3.1 Recurrent Investor Assurance

The *Recurrent Investor Assurance Framework* (RIAF) is an independent² risk-based assurance process for the State's major recurrent projects. It is intended to provide confidence to the Expenditure Review Committee that the State's major recurrent projects are being effectively developed and delivered in accordance with the Government's objectives.

The key features of the framework are:

- A single point of accountability for independent assurance across all NSW Government major recurrent projects
- A focus on what matters by taking a tiered approach based on risk assessment
- Escalating the levels of scrutiny and/or interventions applied to projects as and when emerging risks are reported/detected
- Delivery Agencies retaining direct accountability for particular projects and programs
- Improved reporting and data collection.

Recurrent investor assurance is applied through a range of tools including:

- A series of short, focused, independent peer reviews at key project milestones. The peer reviews are conducted independently of delivery agencies and projects and include Gateway Reviews and periodic Health Checks
- Risk-based project reporting provided by delivery agencies
- Risk-based project monitoring conducted by Treasury's Gateway Team.

Recurrent investor assurance is not an audit, approval or an endorsement process. Rather, it is a process to complement project development and delivery to aid prevention of project failure.

The RIAF does not take away from:

- Delivery agency assurance requirements to meet internal governance arrangements; or
- The need to prepare business cases to support funding decisions in the event that a project does not require a Gateway Review under the RIAF.

3.2 Benefits

A risk-based assurance approach will achieve the following benefits for the Government and the public:

- A consistent whole-of-government approach to investor assurance regardless of investment type
- A focus on investment outcomes, not outputs
- A regular level of due diligence that reflects the level of budget risk and complexity for each project, focusing investor assurance resources towards high risk complex projects
- Increasing transparency regarding project development/delivery risks and progress
- Contributing to improved levels of compliance with the Gateway Review process from the commencement of project development to project implementation

² Independent refers to independent of a delivery agency and a project team

- Fostering the sharing of skills, resources, experience and lessons learned within and across the government sector
- Greater analytic support for the Government as an investor, before and after an investment decision has been made, rather than project-level assurance only
- Contributing to jobs growth and the State's competitiveness through the delivery of cost efficient, effective services.

3.3 Application

This Framework applies to all major recurrent projects being developed and/or delivered by General Government agencies and Government Businesses. The Framework applies to State Owned Corporations to the extent made applicable under the Commercial Policy Framework.

Projects will fall within the scope of the RIAF if they meet one or more of the following criteria:

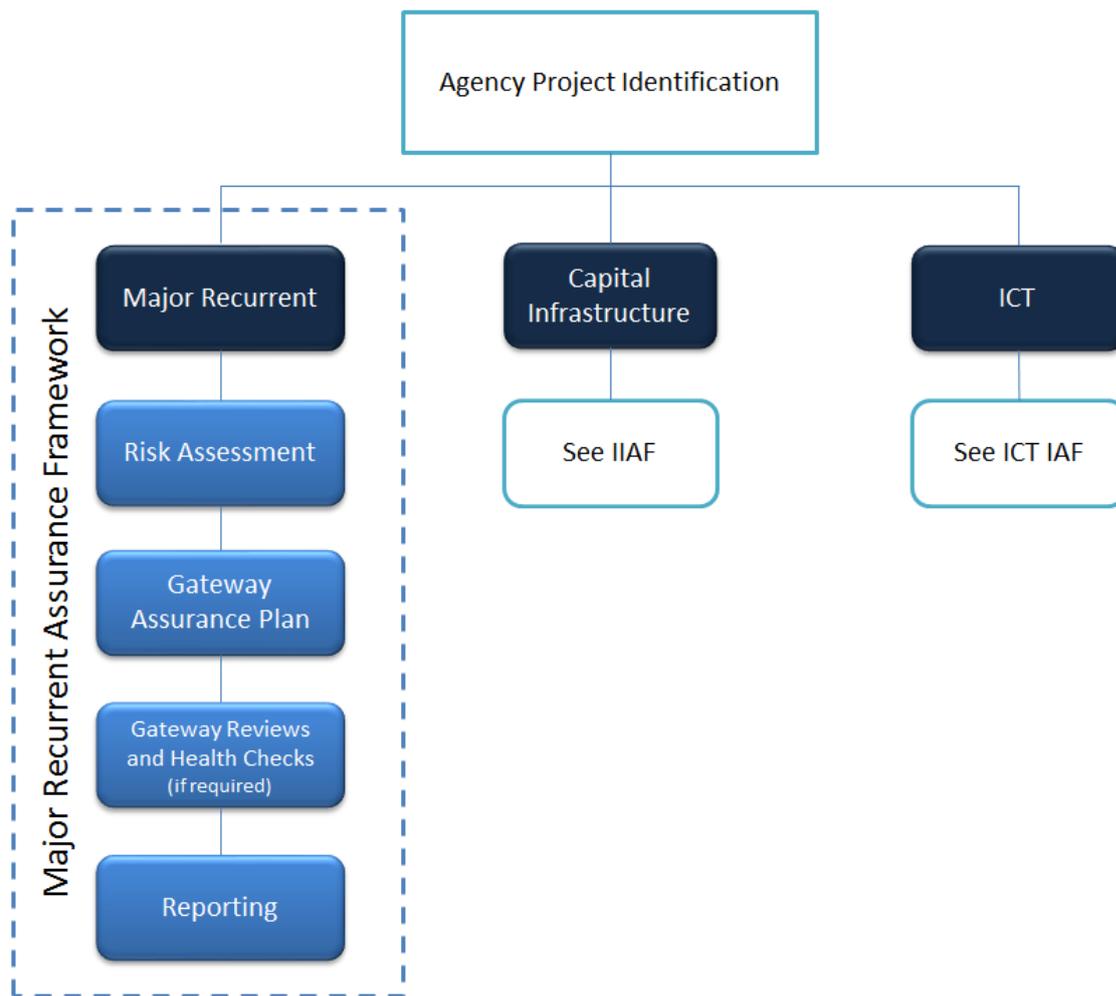
- New policy proposal submitted as part of the annual budget process
- Proposals for new spend fast tracked to ERC
- Emerging issues of a recurrent nature entered into Prime
- Projects nominated by ERC
- Projects nominated by a Delivery Agency
- Projects nominated by the Policy Owner.

The RIAF, administered by NSW Treasury, should be referred to for all recurrent proposals. Agencies will not be required to retrospectively review fully implemented projects or that are in implementation stage unless they have undergone significant scope changes.

For capital infrastructure projects, agencies should refer to the Infrastructure Investor Assurance Framework, administered by Infrastructure NSW. For ICT projects, agencies should refer to the ICT Investor Assurance Framework, administered by the Department of Finance, Services and Innovation.

Figure 2 outlines the scope of the Major Recurrent Framework. For projects that meet the thresholds defined in the RIAF (refer to section 3.4 below), or, if mandated by ERC, Delivery Agencies will be required to self-assess the Project Tier (refer to section 3.5 below) and develop a corresponding Assurance Plan. The Assurance Plan will define the Gateway Reviews and Health Checks that are to be undertaken. Note: not all projects that meet the defined threshold will be required to undertake Gateway Reviews or Health Checks. This process is further defined later in this Framework.

Figure 2 Scope of Major Recurrent Assurance Framework



3.4 Threshold

All recurrent projects are required to be registered with the Treasury Gateway Team; undertake a Project Tier Assessment; and develop a Project Assurance Plan if one of the following criteria is met:

- Projects requiring a recurrent investment of greater than \$100 million over the first four years of the proposal or \$50 million in any one year
- Projects nominated by ERC, the Delivery Agency or the Policy Owner.

The Project Tier Assessment is designed to determine the applicability of Gateway Reviews and level of project reporting and monitoring required for projects that meet these criteria.

Gateway Reviews are designed, in alignment with NSW Gateway Policy, to provide value to both the Investor and Delivery Agency. A Delivery Agency has the option of volunteering a project for a Project Tier Assessment as well as requesting additional Gateway Reviews and Health Checks beyond those mandated by this Framework.

3.5 Project Tier and Project Assurance Plan

Initial Project Tier assessments are made by delivery agencies through the Project Risk Profile Tool (Appendix B). Delivery agencies are required to communicate the outcome of this assessment to

Treasury and propose a Project Assurance Plan for endorsement to the Treasury Gateway Team³. The Project Assurance plan must meet the minimum requirement for Gateway Reviews based on the Project Tier, outlined in this Framework.

Project Tier assessments and corresponding Assurance Plans, developed by the Delivery Agency, are submitted to the Treasury Gateway Team who will review the assessment and plan and seek advice from the Major Recurrent Advisory Group(MRAG). The Treasury Gateway Team will then communicate an endorsed Project Tier and Project Assurance Plan for each project to the relevant Delivery Agency. The Project Tier and Project Assurance Plan will be reported to ERC periodically for noting.

Project Tiers will be routinely reviewed by the Treasury Gateway Team after each Gateway Review and any recommended changes will be referred to the Major Recurrent Advisory Group . The delivery agency is required to notify the Treasury Gateway Team if there have been material changes to project risk/profile criteria, scope, procurement or budget.

If a change to the Project Tier or Project Assurance Plan is considered to be required, advice from the MRAG will be sought. The Treasury Gateway Team will then notify the delivery agency of the amended Project Tier and corresponding Project Assurance Plan.

3.6 Confidentiality and Ownership

Major recurrent project assurance is a confidential process. Gateway Review and Health Check reports are confidential between the delivery agency and NSW Treasury. The recommendations contained in these reports once finalised will be summarised and provided to ERC and are therefore Cabinet Sensitive.

Table 1 *Distribution of Gateway Review and Health Check reports.*

	Summary of outcomes of Gateway Reviews and Health Checks	Final Gateway Review and Health Check reports
NSW Treasury	Routinely	To support investment or funding decisions made by ERC
Delivery Agency Secretaries/CEOs	Routinely	Routinely
Treasurer	Routinely	Upon request
ERC	Routinely	Not reported

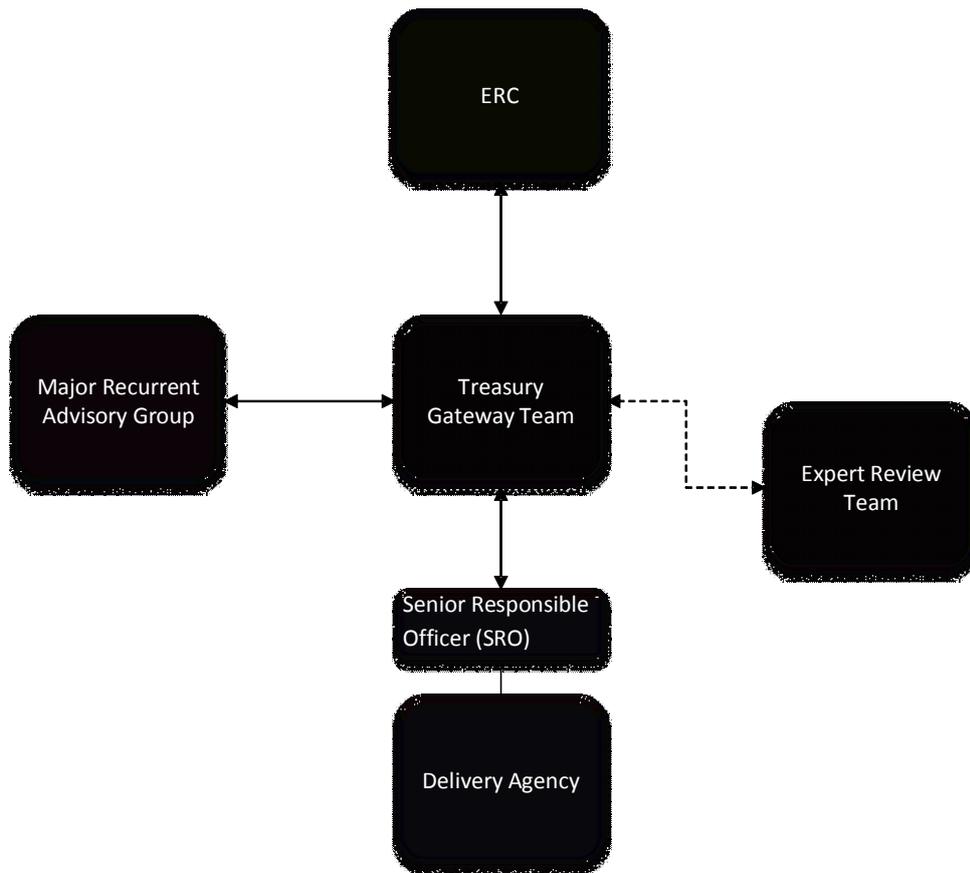
Expert Reviewers, engaged by NSW Treasury, prepare Gateway Review and Health Check Reports on behalf of NSW Treasury. These reports remain the property of NSW Treasury until finalised. Once finalised, reports become the property of the relevant delivery agency.

3.7 Governance

The Framework is supported by governance arrangements to guide the Gateway assurance process, which is illustrated broadly in Figure 3.

³ Contact: Gateway@treasury.nsw.gov.au

Figure 3 **Framework Governance**



3.8 Responsibilities

The responsibilities of the various bodies involved in the Framework are described in Table 2 on the following page.

Table 2 Major Recurrent Assurance Framework Responsibilities

Group	Responsibilities
NSW Treasury	<p>Overarching policy responsibility for NSW Gateway Policy, Economic Appraisals and Business Cases. As Policy Owner, the role includes:</p> <ul style="list-style-type: none"> • Monitoring the application of the NSW Gateway Policy • Confirming the applicable GCA Framework and informing the concerned parties where there is dispute or confusion as to the appropriate GCA to deliver Gateway • Determining the appropriate GCA Framework a mixed project should follow • Ensuring consistency of assurance approach across the Gateway frameworks in NSW • Reporting on the performance of the NSW Gateway Policy, including the performance of the GCA Frameworks, after one year of operation and annually.
Treasury Gateway Team	<p>Responsible for Major Recurrent Assurance Framework administration and performance, including:</p> <ul style="list-style-type: none"> • Liaising with delivery agencies • Coordinating Gateway Reviews and Health Checks including identifying and engaging expert reviewers • Monitoring the performance of individual reviewers • Ensuring and maintaining independence from Review Team • Providing guidance and support to Delivery Agencies through all phases of the Gateway process • Maintaining and continuously improving the Framework and application of the Gateway process for Major Recurrent projects • Providing reports to the Policy Owner (within Treasury) on the performance of the Framework • Preparing overview reports post-Gateway Reviews/Health checks • Overseeing close-out plan sign-off and reporting • Reporting regularly against the RIAF • Providing a single point of contact for delivery agencies and central government.
Major Recurrent Advisory Group	<p>The group:</p> <ul style="list-style-type: none"> • Provides advice to the Gateway Review Team on the Project Risk Profiles and Project Assurance Plans provided by delivery agencies • Reviews the effectiveness of the Framework annually • Provides advice on the operation of the Framework and the outcomes of Gateway Reviews.
Expert Review Team	<p>The Expert Review Team conducts Gateway Reviews and Health Checks.</p>

Group	Responsibilities
Delivery Agency	<p>The Delivery Agency, represented by the Senior Responsible Officer, must identify the appropriate GCA Framework for a project and adhere to the approach of the relevant GCA.</p> <p>For Major Recurrent Projects, the Delivery Agency is responsible for meeting the requirements of the Major Recurrent Assurance Framework, including:</p> <ul style="list-style-type: none"> • Registration and risk profiling: <ul style="list-style-type: none"> ○ Identifying any relevant major recurrent projects ○ Self-assessing the Project Tier and preparing a corresponding Assurance Plan that must be communicated to the Treasury Gateway Team in a timely manner in order to allow the application of early stage Gateway Reviews if required ○ Updating Treasury on changes of project risk criteria that may affect the Project Tier ○ Updating Treasury on proposed changes to the Project Assurance Plan. • Gateway Reviews and Health Checks: <ul style="list-style-type: none"> ○ Providing, in a timely manner, all relevant information to support Gateway Reviews and Health Checks ○ Ensuring all relevant project team members' participation in Gateway Reviews and Health Checks ○ Responding to requests for fact checks of the draft reports in a timely manner ○ Providing a Delivery Agency endorsed response to recommendations in a timely manner ○ Preparing formal Close-out Plan, for endorsement by Treasury for each Gateway Review or Health Check ○ Providing updates to Treasury on status of Close-out Plans. <p>The Delivery Agency is responsible for paying any direct costs of Gateway Reviews and Health Checks. This includes time and expenses relating to the engagement of independent reviewers, as well as disbursements relating to a review, such as venue hire, catering and administrative support services.</p>
INSW	INSW is the Gateway Coordination Agency for the Infrastructure Investor Assurance Framework. Treasury will work with INSW on projects that are part capital and part recurrent.
DFSI	DFSI is the Gateway Coordination Agency for the ICT Investor Assurance Framework. Treasury will work with DFSI on projects where ICT is part of a major recurrent project.
Expert Reviewer Advisory Group	<p>The Expert Reviewer Advisory Group provides advice on the Expert Reviewer capability, gaps and requirements to support a high performing Expert Reviewer Panel. The Group also considers Expert Reviewer Panel member nominations and recommendations as well as the performance of individual panel members.</p> <p>Treasury will be represented on the INSW Expert Reviewer Advisory Group along with INSW and DFSI to consider the ongoing arrangements for Gateway reviewers across all NSW GCA Frameworks.</p>

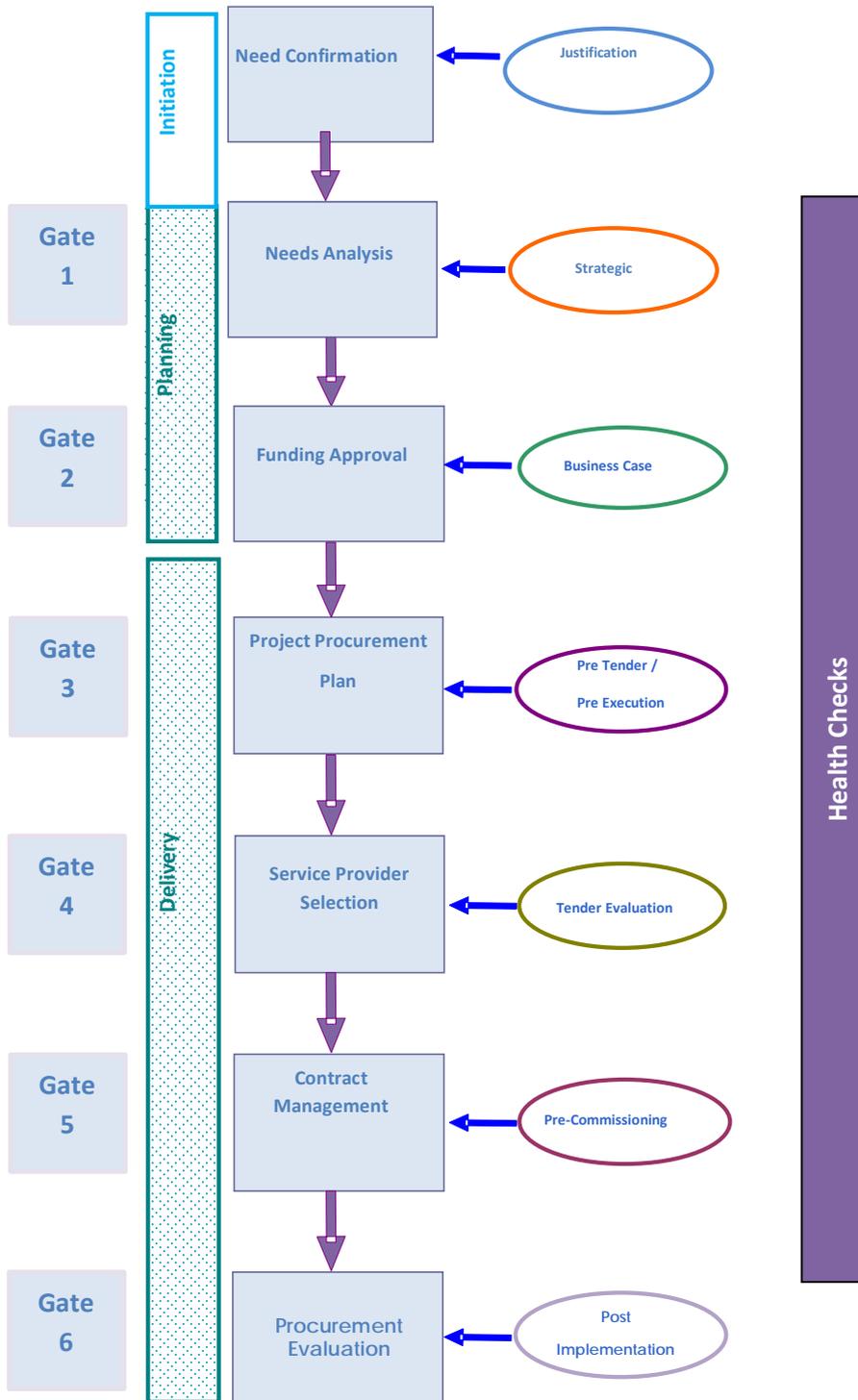
Group	Responsibilities
Project Sponsor	<p>The Project Sponsor:</p> <ul style="list-style-type: none"> • Secures funding and ensures that the project is focused throughout its life on achieving its objectives and delivering a product that will achieve the forecasted benefits • Ensures that the project provides value for money • Supports Gateway Reviews and Health Checks • Ensures the project meets the objectives of the business case and initiate independent reviews and due-diligence checks if required. Such reviews are termed Project Sponsor Commissioned Reviews and are reported to Treasury.

4. Framework Arrangements

4.1 Framework Outline

The Framework incorporates a risk-based approach in line with the NSW Gateway Policy. The RIAF is designed to support both the delivery agencies' own decision making and assurance processes and to support Budget processes throughout the project lifecycle (depicted in Figure 4).

Figure 4 Project Lifecycle



4.2 Risk-based approach to investor assurance

Risk-based assurance means that different levels of assurance are applied proportionate to a potential risk profile. The qualitative risk profile criteria are outlined in Table 3.

Appendix A provides an overview of the project registration and risk-profiling process including responsibilities of delivery agencies, NSW Treasury Gateway Team and the MRAG in relation to project registration, risk tier assessment and communication of endorsed Project Tier and Project Assurance Plans.

Table 3 *Qualitative risk profile criteria*

Criteria	Definition
Level of Government Priority	The level and timing of project or program priority, where: <ul style="list-style-type: none"> • The level of priority for a project is specifically mandated (or where a Ministerial authority has been given to mandate that a project is a priority) in documents such as the NSW Budget, Premier’s Priorities, State Priorities, State Infrastructure Strategy, Election Commitment, or is a response to a Legislative Change. Alternatively, the project is an enabler of a mandated priority project. • The timing of the priority project can be either within or outside the Forward Estimates
Interface Complexity	The extent to which the project or program’s success will depend on the management of complex dependencies with other: <ul style="list-style-type: none"> • Institutions – certain bodies are contributing to the funding of the project or will be given operational responsibility. • Projects or services – there are fundamental interdependencies with other projects or services that will directly influence the scope and cost of the project.
Procurement Complexity	The extent to which a project or program requires sophisticated, customised or complex procurement methods (non-traditional), thereby increasing the need for a careful assessment and management of risk. Procurement complexity may also be influenced by the extent of agency experience and capability. For example, complex procurement methods may be used more commonly by some agencies and represent a lower procurement risk.
Agency Capability	The extent to which the sponsor agency has demonstrated capability (skills and experience), or can access through recruitment or procurement the required capability in the development and/or delivery of the type of project or program proposed and/or its delivery strategy.
Criticality of Service	The extent to which a project is essential to meet a deficiency that would otherwise have serious adverse impacts on the functioning of an existing community or the growth of a new community.
Implementation complexity	The extent to which the project’s success will depend on resolution in the agency of challenging industrial relations issues, significant re-organisation of functions or activities within the agency, relocation of functions or activities, changes of business processes and operational risk.

A weighted score for the above criteria is determined based on the weighting and scores outlined in Appendix B. This weighted score is compared against the estimated incremental budget request or funding estimate to determine a preliminary Project Tier based on the matrix shown in Table 4 below.

Table 4 *Project tier weighted risk score matrix*

Weighted Risk Score	Estimated cost over first four years of the project			
	<\$100M	\$100-\$250M	\$250 M - \$500 M	> \$500 M
0.0 – 2.0	Tier 4	Tier 4	Tier 3	Tier 2
2.1 – 2.5	Tier 4	Tier 3	Tier 2	Tier 2
2.6 – 3.0	Tier 3	Tier 2	Tier 2	Tier 2
3.1 – 4.0	Tier 2	Tier 2	Tier 1	Tier 1
4.1 – 5.0	Tier 1	Tier 1	Tier 1	Tier 1

The initial risk profiling self-assessment process is undertaken by Delivery Agencies. The process involves giving each project a risk-based score against these criteria and undertaking further qualitative analysis. The process enables projects to be grouped into risk-based tiers to which different levels of project assurance can be applied. The risk-based tiers are as follows:

- Tier 1 – High Profile/High Risk
- Tier 2
- Tier 3
- Tier 4.

The tiered approach is designed to ensure that the right balance is struck between a robust approach, correctly focused on the highest risks, and achieving value for money. Throughout their lifecycle, projects may move between tiers depending on changing risk profiles.

For a project to be endorsed as a RIAF Tier 1 High Profile/High Risk project it must also be nominated as such by:

- ERC
- Premier or the responsible Minister
- Treasurer
- Relevant delivery agency Secretary or CEO, or
- The Secretary of NSW Treasury.

4.3 Gateway Reviews and Health Checks

The Gateway Review process provides for a series of short, focused, independent expert reviews, held at key decision points in a project’s lifecycle. The Gateway Reviews are appraisals of projects that highlight risks and issues which, if not addressed, may threaten successful delivery.

The Gateway Review process is in place to strengthen governance and assurance practices and to assist delivery agencies to successfully deliver major projects and programs. Gateway Reviews are part of an assurance process which also provides confidence to Government in the information supporting their investment decisions; the strategic options under consideration; and the delivery agency’s capability and capacity to manage and deliver the project.

Gateway Reviews are supported by Health Checks which assist in identifying issues which may emerge between decision points. Health Checks will be carried out, when required, by an independent team of experienced practitioners (industry experts including from the private sector), appointed by Treasury.

The risk-based approach to Gateway Reviews is detailed in Table 5. Health Checks are optional for all projects and should be identified as part of the Project Assurance Plan.

Delivery Agencies can nominate additional Gateway Reviews and Health Checks beyond those mandated by the Major Recurrent Assurance Framework.

If Treasury is substantially involved in the management or delivery of a project to an extent that will jeopardise the independence or the perception of independence, of the Treasury Gateway Team, the Gateway process must be delivered by an alternative independent Gateway Coordination Agency.

Table 5 Application of Gateway Reviews by Treasury

Gate	Tier 1	Tier 2	Tier 3	Tier 4
Gateway Reviews	Gateway Reviews are mandatory for all Gates	Gateway Reviews are mandatory for Gate 0, Gate 1 and Gate 2	Gateway Review is mandatory for Gate 0	Gateway Reviews not required.
Gate 0 – Project Justification	Mandatory	Mandatory	Mandatory	Not Required
Gate 1 – Strategic Assessment	Mandatory	Mandatory	Optional	
Gate 2 – Business Case	Mandatory	Mandatory	Optional	
Gate 3 – Pre-Tender / Pre Execution	Mandatory	Optional	Optional	
Gate 4 – Tender Evaluation	Mandatory ¹	Optional	Optional	
Gate 5 Pre-commissioning	Mandatory	Optional	Optional	
Gate 6 – Post-implementation	Mandatory	Optional	Optional	

¹ Gate 4 will not be mandatory for a Tier 1 recurrent project if the project does not involve a tender based external procurement.

Gateway Reviews

Gateway Reviews include interviews with significant project stakeholders and the examination of project documents. Review Teams assess the progress of projects against seven criteria:

- Service delivery
- Affordability – value for money
- Sustainability
- Governance
- Risk management
- Stakeholder management
- Change management

Reviews are conducted in accordance with the Gateway Review Toolkit and Reviewer Workbooks provided by the Treasury Gateway Team.

NSW Treasury will develop Terms of Reference for a Review in consultation with the responsible delivery agency and key stakeholders. The Terms of Reference are used to guide the selection of appropriate reviewers and will be provided to reviewers in advance of the Review.

The governance and oversight of a project/program ordinarily includes responsibilities of: ‘sponsor’, ‘deliverer’ and ‘operator’ on behalf of the Delivery Agency. The typical responsibilities/functions of these parties are described in Appendix C.

Good governance and project/program assurance calls for the need to have an individual as the single point of accountability and strategic responsibility: the Senior Responsible Officer (SRO). The SRO may come from within the ‘sponsor’, ‘deliverer’ or ‘manager or operator’ organisation and may change over the project’s lifecycle.

To enable a successful Review to take place, the delivery agency must identify each of the parties performing the role of ‘sponsor’, ‘deliverer’ and ‘manager or operator’, as well as the individual SRO. It is essential that the delivery agency’s SRO participates in the Gateway Review process by being available and ensuring that the review team has access to relevant information.

If the Treasury Centre for Program Evaluation is undertaking a full evaluation of a project subject to a Gate 6 review, the Major Recurrent Advisory Group will determine the necessity of proceeding with the Gate 6 review.

Major Recurrent Advisory Group

A Major Recurrent Advisory Group (MRAG) is to be established by NSW Treasury. The Treasury Gateway Team will provide secretariat support for the MRAG. The Group members will be drawn from across Government. The Group will have membership from within NSW Treasury, including representatives from the Commissioning and Contestability Unit as well as the Agency Budget and Policy Group. It will also include government sector representatives external to Treasury and from the other GCAs.

Independent reviewers

Reviews are to be conducted by a highly experienced independent Review Team where independent refers to the individuals being independent of a delivery agency and a project team. The review

team should be selected so that it possesses the skills, capability and experience to enable it to provide relevant assessment and advice.

Reviewers forming the Review Team can include individuals currently employed with the NSW Government, if they are independent of the delivery agency and project team.

Health Checks

Triggers for optional Health Checks may include:

- Where a Gateway Review Team recommends a Health Check be completed before the next Gateway Review
- If there is overall low or medium delivery confidence and there are a significant number of critical and essential recommendations raised at a Gateway Review or Health Check
- If insufficient progress is being demonstrated in closing out recommendations from a previous Gateway Review or Health Check
- If there is a major incident or major event or major change in the project, including change of governance or change in delivery agency responsibility
- If a delivery agency self-nominates, or
- A review is requested by ERC.

Gateway Review / Health Check Reports

The results of each Gateway Review and Health Check are presented in a report that provides a snapshot of the project's progress with recommendations to strengthen the project.

Close-out Plans

Close-out Plans are required to be prepared in response to the recommendations set out in each Gateway Review and Health Check report. Close-out Plans are supplied by delivery agencies as approved by the delivery agency Secretary, Chief Executive Officer or nominated SRO. These plans will detail specific actions, timelines and accountabilities that respond to the recommendations provided in these reviews. Treasury will:

- Endorse the Close-out Plans and closing out of recommendations
- Monitor the progress towards closing out these actions and recommendations, and
- Report on this activity.

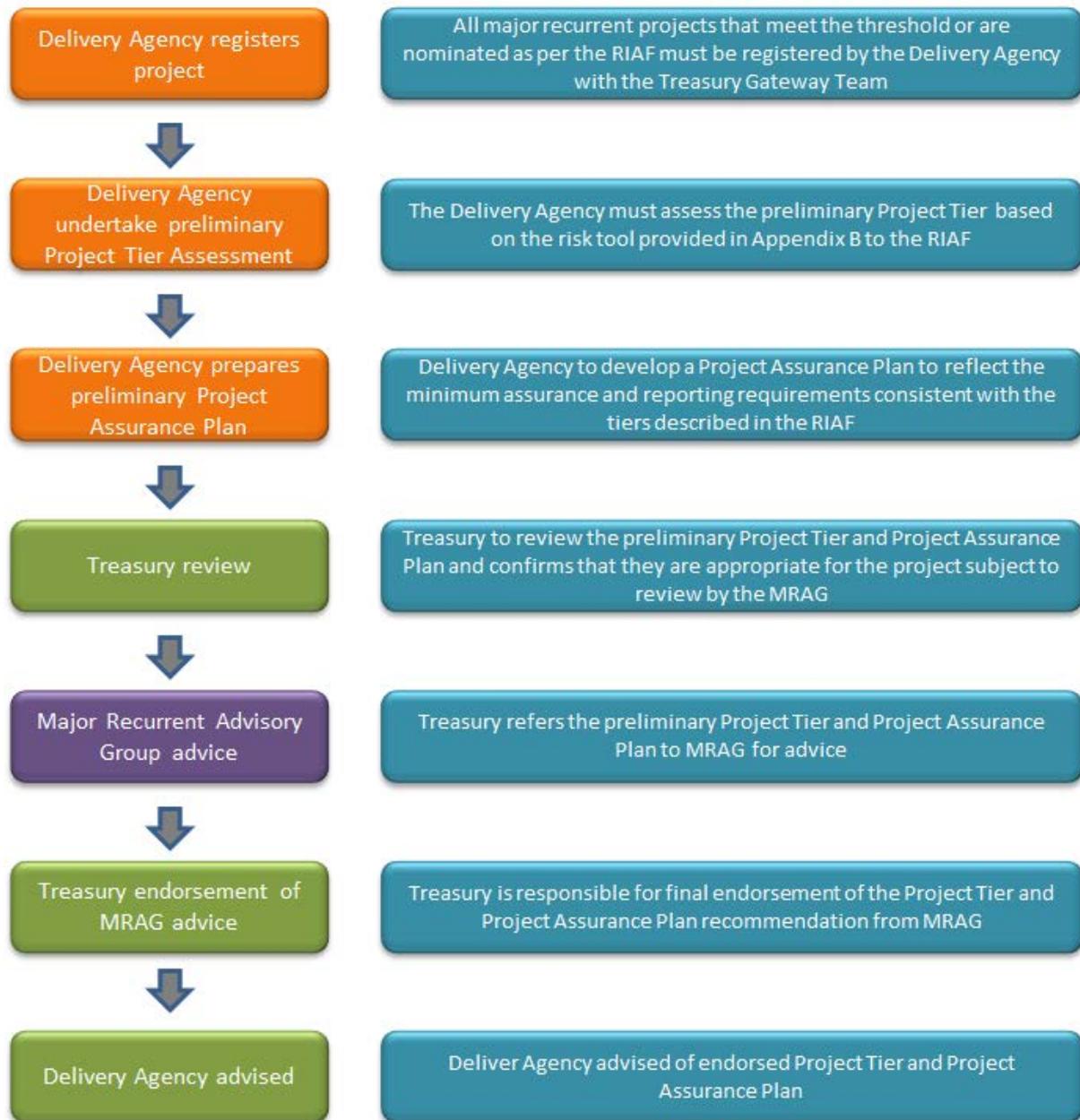
Confirmation of 'Clearance' of Gate

The Treasury Gateway Team will provide confirmation that a delivery agency has completed a Gateway Review for a particular stage of the project and an appropriate Close-out Plan is in place to assist with project development or delivery. This 'Clearance' is not a Gateway Review approval or an endorsement of a project.

4.4 Measuring Framework Performance

The Major Recurrent Advisory Group will undertake an annual review as to the performance of this Framework and provide recommendations to Treasury in its role as the Policy Owner. The timing of this review is to be agreed with the Policy Owner and should align with similar reviews of the Infrastructure Investor Assurance Framework (IIAF) and the ICT Investor Assurance Framework (ICT IAF).

Appendix A – Project registration and risk-profiling process



Appendix B – Risk Tool

Note: This risk assessment tool is also available as an Excel workbook at from the NSW Treasury website document and resources library at www.treasury.nsw.gov.au

Total Cost	
Priority and risk level	Cost
What is the total cost of the project? (Total capital and recurrent spend of the project/program, over a period of time defined in the project/program business case)	\$

Risk 1 – Government Priority

Risk Assessment	Government Priority	
Criteria and weighting	Priority and risk level	Raw Score
Government priority: 15% The level of project priority and timing of implementation	Very high Government priority Priority Government project, and project will be fully operational within 12 months	5
	High Government priority Priority Government project, and project will be fully operational within the next 1-2 years of the forward estimates period	4
	Medium Government priority Priority Government project, and project will be fully operational within the next 3-4 years of the forward estimates period	3
	Low Government priority Priority Government project, and project will be commenced within the forward estimates period	2
	Very low Government priority Agency priority in Agency Strategic Plan over the next 10 years	1
	Extremely low Government priority Not a documented Government or agency priority	0

Evaluation Criteria	Government Priority	
<p>Considerations when determining project priority:</p> <p>The following questions should be considered when determining whether the project is a Government priority, agency priority, or is not a priority project.</p>	<p>Government priority questions</p>	<p>Y/N</p>
	<p>Has the project been specifically mandated in the NSW Budget?</p>	
	<p>Has the project been specifically mandated in the Premier's Priorities?</p>	
	<p>Is the project linked to a project specifically mandated in any Government endorsed whole of Government plan, for example, the State Infrastructure Strategy?</p>	
	<p>Is the project an election commitment?</p>	
	<p>Is the project a response to a legislative change?</p>	
	<p>Is the project an enabler of a mandated priority project?</p>	
	<p>Has there been a Ministerial announcement regarding the project?</p>	
	<p>Has the project received significant regional or state-wide media coverage?</p>	
	<p>Is the project a strategic priority for Government?</p>	
	<p>Is the project a strategic priority for the agency or department?</p>	
	<p>Does accountability for the project reside with Cabinet, a Cabinet Committee or a Minister?</p>	
<p>Considerations when determining project timing:</p> <p>The following questions should be considered when determining the timing of the project (i.e. when the project will be fully operational).</p>	<p>Project timing questions</p>	<p>Y/N</p>
	<p>Has planning or implementation of the project already commenced?</p>	
	<p>Will the project be fully operational within 12 months?</p>	
	<p>Will the project be fully operational within the forward estimates period?</p>	

Risk 2 – Interface Complexity

Risk Assessment	Interface Complexity	
Criteria and weighting	Priority and risk level	Raw Score
Interface complexity: 15% The extent to which the project or project's success will depend on the management of complex dependencies with projects, services, programs	Very high interface complexity risk Extensive interface and/or interdependence with other entities, projects, programs or services	5
	High interface complexity risk Frequent interface and/or interdependency with other entities, projects, program or services	4
	Medium interface complexity risk Some interface and/or interdependency with other entities, projects, programs or services	3
	Low interface complexity risk Minor interface and/or interdependency with other entities, projects, programs or services	2
	Very low interface complexity risk Very little or infrequent interface or interdependency with other entities, projects, programs or services	1
	Extremely low interface complexity risk No interface or interdependency with other entities, projects, programs or services	0

Evaluation Criteria	Interface Complexity	
Considerations when determining interface complexity	Interface complexity questions	Y/N
The following questions should be considered when determining the extent and frequency with which the project will interface with other entities, projects, programs or services.	Are other entities contributing to the funding of the project?	
	Will other entities be given full or partial operational responsibility for the project?	
	Are there other projects, program or services that will directly influence the scope and cost of the project?	
	Does the project involve multi-agency delivery?	
	Are the anticipated project benefits dependent on another project, program or service?	
	Will the anticipated benefits be realised by any entity other than the delivery agency?	
	Does the project involve significant integration (IT or otherwise) with other projects, programs or services?	
	Will members of the public be directly impacted by this project?	
	Will the private sector be directly impacted by this project?	
	Will the public sector (outside of the delivery agency) be directly impacted by this project?	
Will the project involve external delivery partners?		

Risk 3 – Complexity of Procurement

Risk Assessment	Complexity of Procurement	
Criteria and weighting	Priority and risk level	Raw Score
Complexity of procurement: 20%	Very high procurement complexity risk Highly complex procurement model	5
	High procurement complexity risk Unconventional procurement model	4
	Medium procurement complexity risk Some procurement complexity	3
	Low procurement complexity risk Minor procurement complexity	2
	Very low procurement complexity risk Business as usual (routine) procurement	1
	Extremely low procurement complexity risk No procurement complexity.	0

Evaluation Criteria	Procurement Complexity	
Considerations when determining procurement complexity:	Procurement complexity questions	Y/N
The following questions should be considered when determining how complex the procurement aspect of the project is likely to be.	Will/could the project use a non-traditional (complex or customised) procurement method?	
	Does the agency have experience in the proposed procurement method?	
	Does the agency have a high level of capability in the proposed procurement method?	
	Is the service contract likely to be >10 years?	
	Is the project dependent on input from an immature/inexperienced market segment?	

Risk 4 – Agency Capability

Risk Assessment	Complexity of Procurement	
Criteria and weighting	Priority and risk level	Raw Score
Agency capability: 20%	Very high agency capability risk No projects of this type previously delivered over the last 10 years	5
	High agency capability risk Few projects of this type previously delivered over the last 10 years	4
	Medium agency capability risk Several similar projects delivered over the last 5 years	3
	Low agency capability risk Many similar projects delivered over the last 5 years	2
	Very low agency capability risk Many similar projects delivered in the last 2 years	1
	Extremely low agency capability risk Business as usual (routine)-No agency capability risk.	0

Evaluation Criteria	Agency Capability	
Considerations when determining agency capability:	Agency capability questions	Y/N
The following questions should be considered when determining the level of capability the delivery agency has in relation to the project.	Are the operations and outcomes of the project aligned to the agency's core business and strategic objectives?	
	Does the organisation have a successful track record of delivering initiatives of a similar scope and/or scale?	
	Has the organisation been established within the past 12 months?	
	Does the organisation have ongoing stable operations?	
	Does the organisation have an ongoing, stable source of funding?	
	Has the organisation been established for the purpose of delivering this project?	
	Has the organisation delivered a project that has been subject to a major recurrent Gateway Review?	
	Has the agency delivered a recurrent, capital or ICT project/program that has been subject to a recurrent, capital or ICT Gateway?	
	Will the agency be delivering this project in partnership with a more experienced delivery partner?	
	Will the agency be delivering this project in partnership with a less experienced delivery partner?	
	Does the agency have in-house capability to deliver the project or will the agency be contracting/recruiting?	
Does the agency have the capability to manage the ongoing activities of the project after the procurement stage?		

Risk 5 – Criticality of Service

Risk Assessment	Criticality of Service	
Criteria and weighting	Priority and risk level	Raw Score
Criticality of service: 15%	Very high impact on an essential service Addresses an urgent and critical deficiency that could have a highly adverse impact on an essential service	5
	High impact on an essential service Provides an enhancement or addresses a deficiency that could have a significant impact on the delivery of an essential service	4
	Medium impact on an essential service Provides an enhancement or addresses a deficiency that could have a moderate impact on the delivery of an essential service	3
	Low impact on an essential service Provides an enhancement or addresses a deficiency that could have a minor impact on the delivery of an essential service	2
	Very low impact on an essential service Addresses minor deficiency that could have a very low impact upon service delivery	1
	Extremely low impact on an essential service Not related to an essential service	0

Evaluation Criteria	Criticality of Service	
Considerations when determining criticality of service:	Criticality of service questions	Y/N
The following questions should be considered when determining how critical the service that the project provides is.	Does the project involve a service that impacts an existing community?	
	Does the project involve a service that impacts the development or growth of a new community?	
	Is the fulfilment of a legislative requirement dependent on this project?	
	Is the delivery of a major Government policy initiative dependent on this project?	
	Is the project considered crucial to the operation of the agency?	
	Is the project considered crucial to the operation of Government?	
	Would the failure of the project have significant implications for the delivery of key public services?	
	Would the failure of the project have significant implications for regional, state or national security?	
	Would the failure of the project have significant implications for the internal operations of the delivery agency?	

Risk 6 - Implementation Complexity

Risk Assessment	Implementation complexity	
Criteria and weighting	Priority and risk level	Raw Score
Criticality of service: 15%	Very high implementation complexity There are a significantly high level of unknowns and/or assumptions involved which may have a significant influence over successful implementation	5
	High implementation complexity There are a high level of unknowns and/or assumptions which may influence over successful implementation	4
	Medium implementation complexity There are a moderate level of unknowns and/or assumptions involved which may influence successful implementation	3
	Low implementation complexity There are a low level of unknowns and/or assumptions involved which are unlikely to influence the success of implementation	2
	Very low implementation complexity There are a low level of unknowns and/or assumptions involved which are highly unlikely to influence the success of implementation	1
	Extremely low implementation complexity There are no assumptions involved	0

Evaluation Criteria	Implementation complexity	
Considerations when determining criticality of service:	Implementation complexity questions	Y/N
The following questions should be considered when determining the risk to successful implementation.	Does the project involve a significant organisation restructure to deliver services?	
	Does the project involve the relocation of existing functions or activities?	
	Does the project involve a significant change to business processes?	
	Does the project implementation affect existing industrial relations arrangements?	
	Does the project involve significant operational risk?	

Appendix C – Role of the SRO in the RIAF

The governance and oversight of a project/program ordinarily includes responsibilities of: ‘sponsor’, ‘deliverer’ and ‘operator’ on behalf of the Delivery Agency. The typical responsibilities/functions of these parties are described below.

Sponsor

- Secures the funding
- Owns the business case
- Is responsible for specifying the resource requirements
- Ensures the project remains strategically aligned and viable
- Ensures benefits are on track

Deliverer

- Responsible for project set up and procurement through to commissioning
- Delivering the benefits
- Translates requirements from the sponsor and manages delivery outcomes
- Selects the most appropriate supplier/s to meet project objectives

Operator

- Responsible for day to day operations once commissioned
- May be a part of the sponsor or delivery organisation or a separate entity

The role performed by each of these parties may be emphasised depending on the particular project life cycle point a project/program is in. Further, the roles performed by each party often have necessary interdependencies with each other to enable the successful delivery of a project/program.

Good governance and project/program assurance calls for the need to have an individual as the single point of accountability and strategic responsibility; the Senior Responsible Officer (SRO). The SRO may come from within the ‘sponsor’, ‘deliverer’ or ‘manager or operator’ organisation depending upon the stage of the project in its lifecycle.