



Statewide Property Ventures (Lyon Group Australia & Folkestone Ltd JV)

Probity Report: South Dural Planning and Rezoning Project

September 2016

Mr Mike Milliken
Director and General Manager
Lyon Group Australia
Level 2, 486 Pacific Highway
ST LEONARDS NSW 2065

19 September 2016

Dear Mike,

Probity Report: South Dural Planning and Rezoning Proposal Project

O'Connor Marsden & Associates (“OCM”) has been engaged to provide Statewide Property Ventures Pty Ltd (“Statewide”), a Joint Venture between the Lyon Group Australia and Folkestone Ltd, with probity advisory services in relation to the South Dural Planning and Rezoning Proposal Project (“South Dural”).

This Probity Report is to provide a conclusion based on the observations and work performed during the South Dural planning process, in particular the work done by Statewide to provide the technical studies to Hornsby Shire Council, required as part of the Department of Planning and Infrastructure Gateway Determination process.

The services we provided and work performed were in accordance with our letter of engagement and covered the period from 29 October 2015, the date of our letter of engagement, to the date of this report.

Our probity observations are in line with the probity fundamentals outlined in the NSW Independent Commission Against Corruption’s (ICAC) guidance material and outlined in our report.

If you require any further information or wish to clarify any matters, please contact me on (02) 9252 2565.

Yours sincerely



Andrew Marsden
Director

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About the Services

The services described in this document are of an audit and internal risk management nature only and are not intended to be of a financial services nature.

The engagement was performed in accordance with the Australian Auditing Standard on Assurance Engagements ASAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Government Auditing and Assurance Standards Board.

Further information in relation to the extent and nature of the procedures performed is detailed in the Statement of Responsibility in Appendix B.

Confidential - this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

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Executive Summary

Background

Statewide Property Ventures Pty Ltd (Statewide), a Joint Venture between the ASX listed Lyon Group Australia and Folkestone Ltd, is undertaking the South Dural Planning and Rezoning Proposal Project on behalf of the South Dural Residents and Ratepayers Group (SDRRG), in liaison with the Hornsby Shire Council. The SDRRG appointed Invoke Property as its representative in this project.

At a meeting of the SDRRG on 20 April 2015, Statewide was selected by the Residents as the Preferred Developer Proponent to manage the South Dural Planning and Rezoning Proposal project under the Department of Planning and Environment (DP&E) Gateway Determination process. The SDRRG agreed to assign its rights to Statewide to enter into a binding agreement with Council to fund a business plan, studies, resources to assist Council with project management and provide a bank guarantee to cover such costs.

Under the terms of the agreement between the SDRRG and Statewide, other developers will be permitted to join the nominated Preferred Developer Proponent provided:

1. they can demonstrate legal control over a minimum 50 acres of land;
2. they can demonstrate they are willing and able to meet their fair proportionate share of the total finance commitments required by Council; and
3. the SDRRG Committee considers they are reasonably qualified to contribute to the rezoning process.

The majority of the South Dural land is owned collectively by the SDRRG, which was formed in October 2005 to work with the State Government and Hornsby Shire Council to develop the land in a coordinated fashion. In 2013, the SDRRG submitted a planning proposal to the Hornsby Shire Council. It is understood approximately 80% of all the SDRRG landowners supported lodgement of the planning proposal.

The South Dural land has been identified by the State Government as a site worthy of further investigation as part of the State Government's 2013 – *Homes and Jobs for Sydney's Growth* program (one of seven on the fringe of Sydney). The proposal submitted by Statewide addresses land fragmentation issues and involves rezoning of a parcel of land with an approximate area of 240 hectares (590 acres), comprising 135 allotments, with frontages on New Line Road, The Northern Road and Hastings Road in South Dural, for residential and mixed use development.

The Council reviewed the planning proposal at a meeting on 18 December 2013 and noted the proposal was accompanied by a number of technical studies prepared in 2008/2009 which were outdated and would be required to be reviewed and updated if the South Dural rezoning was to progress. Notwithstanding Council's observations, the DP&E issued the Gateway Determination for South Dural on 7 March 2014 and provided a two-year period to finalise the planning proposal.

At its meeting on 9 December 2015, Council resolved to seek from the DP&E an extension of the Gateway Determination finalisation period for a further 24 months, which the DP&E granted. The timeframe for completing the planning proposal (Local Environmental Plan) is now 14 March 2018.

A Funding Agreement was executed between the SDRRG and Council to facilitate the progression of the Gateway Determination process for the South Dural Planning and rezoning Proposal. At its meeting on 9 December 2015, Council resolved to adopt and execute the Funding Agreement submitted by Statewide and endorse the formation of a Project Control Group (established 16 January 2015) to prepare and submit the required technical studies and Precinct Plan.

Security of \$1 Million has been provided via Bank Guarantees to be progressively released upon finalisation of Council's review and following exhibition and a final decision of Council. Details of Statewide's dealings with the SDRRG and Council are available through the respective web sites of these entities.¹ Details of the Gateway Process are available through the DP&E's web site, with links from the SDRRG's web site.²

Statewide engaged a consultant team to prepare the necessary technical studies and plans required to inform a submission to Council. To facilitate this process Statewide developed a Project Plan and Probity Plan. A key objective of these Plans was to ensure that the processes and decision making that lead to a Planning Proposal, which affects all land holdings within the South Dural precinct, have been undertaken in a transparent and appropriate manner in accordance with probity principles and the technical expertise employed by the technical consultant professionals. Statewide now proposes to submit the completed studies and plans to Council for peer review.

Scope

Consistent with our letter of engagement dated 29 October 2015, the scope of our engagement covers the probity aspects of the process undertaken by the established Project Control Group (PCG), in relation to the commissioning and completion of technical studies as part of the Gateway process for the South Dural Rezoning Project, to the point of submission to Council for peer review. The PCG was established on 16 January 2015 and comprises Statewide, SDRRG and APP Corporation (APP).

The Independent Commission Against Corruption (ICAC) identified five inter-related probity 'fundamentals'³ which should underpin the integrity of processes such as the South Dural Planning and Rezoning process and it is these underlying probity principles upon which our work has focused:

- Accountability of the participants and transparency of the process;
- Fairness, impartiality and honesty in carrying out the process;
- Management of actual, potential and perceived conflicts of interest;
- Maintenance of confidentiality and security of documentation and information; and
- Attaining best possible value for money under the prevailing circumstances.

A further description of these principles is included in Appendix A.

Conclusion

OCM is not aware of any matter to indicate that the commissioning and completion of technical studies as part of the Gateway process for the South Dural Rezoning Project, to the point of submission to Council for peer review, undertaken by Statewide and the PCG, was not compliant with the probity principles described in the Scope in all material respects.

OCM has based this conclusion upon the activities described in the Work Performed section above and undertaken between 29 October 2015, the date of our engagement and the date of this report.

¹ South Dural Residents and Ratepayers Group (SDRRG): <http://southduralrezoning.com.au/>
Hornsby Council: South Dural Planning Proposal: <http://www.hornsby.nsw.gov.au/property/development-applications/planning-studies/south-dural-planning-proposal>

² Gateway Planning Process: <http://www.planning.nsw.gov.au/Plans-for-Your-Area/Local-Planning-and-Zoning/The-Gateway-Process>

³ Probity and Probity Advising: Guidelines for Managing Public Projects; ICAC; November 2005

Work Performed

In completing our work, consistent with our letter of engagement dated 29 October 2015, OCM undertook the following tasks in order to form a probity conclusion on the process undertaken by the PCG in relation to the commissioning and completion of technical studies as part of the Gateway process for the South Dural Planning and Rezoning Project:

1. Reviewed and assisted the PCG with the development of a draft and final Probity Plan, dated January 2016. Confirmed the document contained the following provisions regarding the principles of probity:
 - a. The aim and objectives of the Probity Plan, in particular to ensure that Statewide's process and approach to decision making leading to the South Dural Planning and Rezoning Project, which will affect all land holdings within the South Dural precinct, is undertaken transparently and in an appropriate manner, consistent with the specialist technical advice obtained by the PCG.
 - b. An outline of the Probity Principles governing this Project (see a description at Appendix A), and discussion of the application of the Principles to this Project.
 - c. The Project Objectives
 - d. Links between the Probity Plan and Project Plan
 - e. Governance structure, including:
 - i. Decision making processes for the PCG
 - ii. Acceptance and adoption by the PCG of a Probity Plan prepared by OCM
 - iii. Procurement Plan for preparation of briefs for the technical studies
 - iv. Funding Agreement with Council to fund Council resources involved in the assessment of Statewide's rezoning proposal, including the peer review of the technical studies required by the Gateway Determination (see below)
 - v. Meetings with Council and State agencies, noting Council is the authority with the statutory responsibility to assess the technical studies and determine their adequacy for the rezoning proposal
 - vi. Requirement for unanimous agreement on all planning decisions by the PCG
 - vii. Council to peer review all technical studies when completed.
 - f. Provision for identifying and managing Conflicts of Interest by the PCG including involvement of OCM in resolving any such conflicts
 - g. Provision, including suggested general guidance, for the PCG and supporting staff in managing Confidentiality and security of information
 - h. Suggested Protocols for the PCG and supporting staff in managing Consultant (or external party) meetings, interviews and presentations.
2. Reviewed from a probity perspective, the draft Project Plan dated January 2016 and observed the document contained the following provisions regarding the principles of probity:
 - a. The Purpose of the Plan, being to enable procurement of sub-consultants, management of technical issues and master plan, and preparation of strategic planning documentation in support of a South Dural Planning and Rezoning proposal
 - b. Project background and site details

- c. Project scope and description, in particular noting that the scope of the project is to undertake the work as specified in the Gateway Determination (see details below)
 - d. Previous studies, project deliverables and the methodology for achieving the deliverables identified
 - e. The composition of the project team (Statewide, SDRRG, AAP Corporation, Technical Consultants and MasterPlanner), including an outline of key roles and responsibilities
 - f. The constitution and role of the PCG, including the PCG's Terms of Reference
 - g. Communications management including stakeholder engagement, consistent with the requirements of the Gateway Determination, in particular the role of the PCG
 - h. Program Management Plan outlining the process for engagement and management of technical sub-consultant selection and engaged by APP on behalf of the PCG
 - i. Tender evaluation and assessment, including criteria, weightings and guidance for scoring submissions received
 - j. Provision for PCG approval prior to engagement of the relevant technical consultants
 - k. An indicative project timetable, identifying key milestones and work tasks
 - l. Cost management and reporting to the PCG.
3. Reviewed from a probity perspective, the SDRRG publicly available website (as identified in the background section above), and observed the site contained the following details and information regarding the principles of probity, particularly the principle of transparency:
- a. A description of the location of the South Dural Planning and Rezoning Project lands and background to the Project
 - b. A summary of the current planning status, draft Masterplan, planning process being followed, Gateway Determination, the Preferred Developer Proponent and frequently asked questions
 - c. Link to the website for Hornsby Shire Council and specifically to the Project-specific site,
 - d. Links to the websites of Statewide and PCG members Folkestone and Lyon Group, the Preferred Developer Proponent joint venture partners
 - e. Link to the NSW Department of Planning and Environment web site, in particular the Gateway Process
 - f. Key Project background documents including a link to the Gateway Determination – South Dural (02 Gateway Determination-South Dural - March 2014)
 - g. SDRRG Committee Meeting Information, including Notices of Meetings and Meeting Minutes, in particular noting that the SDRRG, at its meeting of 20 April 2015 appointed Folkstone-Lyon (Statewide) as the Preferred Developer Proponent and endorsed Motion 13, which outlined the three requirements to be met by any developer/party seeking to join the SDRRG, being:
 - i. They can demonstrate legal control over a minimum of 50 acres of land;
 - ii. They can demonstrate that they are willing and able to meet their fair proportionate share of the total financial commitments required by Hornsby Council;
 - iii. The SDRRG committee considers they are reasonably qualified to contribute to the rezoning process.
 - h. SDRRG Committee correspondence and Newsletters of the following dates, containing Project updates, including key issues:
 - i. 15 April 2015

- ii. 28 May 2015
- iii. 10 August 2015
- iv. 21 September 2015
- v. 19 October 2015
- vi. 24 November 2015
- vii. 16 December 2015
- viii. 15 February 2016
- ix. 23 February 2016
- x. 19 July 2016, noting from a probity perspective this published Newsletter included an invitation to affected landholders to attend a briefing/update on 3 August 2016, on technical reports being prepared for the planning scheme. We were advised by the SDRRG representative on the PCG (email dated 15 September 2016) that:
 - a. *The consultation session of 3rd August 2016 provided a detailed overview of the technical reports and with expert consultants presented provided specific feedback on each study area including question and answers*
 - b. *A key finding of the consultation session was to hold a "Town Hall" like consultation session with all reports printed and available for land owner review and further questions and answers as required. We were advised that this session was held on 3 September 2016 (see item xii below).*

- xi. 17 August 2016, being minutes of the South Dural Committee meeting and noting from a probity perspective the minutes contained the following resolutions:
 - a. *Resolution 2: the Committee ratifies the appointment of Mr Rick Alloggia from Invoke Property as the Committee's representative to liaise with the Developer Proponent and Council.*
 - b. *Resolution 3a: the Committee confirms Mr Rick Alloggia from Invoke Property is authorised to attend the PCG meeting of the Folkstone Lyon Joint Venture to be held on 6th September 2016 at which meeting it is proposed to approve and agree to lodge with Council the relevant zoning reports.*
 - c. *Resolution 3b: the Committee confirms Mr Rick Alloggia from Invoke Property to vote in favour of and agree to the form of the rezoning reports arranged by the Folkstone Lyon Joint Venture as Developer Proponent and to lodgement of those reports with Council by the Developer Proponent.*

We confirmed with Mr Alloggia that as the representative of the SDRRG, he was able to perform his role unfettered and without direct financial interest from the Statewide (Folkstone Lyon) Joint Venture.

- xii. 19 August 2016, noting from a probity perspective that this published Newsletter included the following key notification to affected landholders:

We provide notice and invitation to the specific land owners of the South Dural planning proposal to attend a final consultation session before the Planning Proposal technical reports are submitted to Council as below. This consultation will place all reports on display for residents only within the South Dural Planning Proposal catchment. The lead planning and co-ordinating consultants APP and INVOKE Property will be available to answer any resident questions and feedback. Following this consultation, it is the intention of the South Dural Residents and Ratepayers Group to endorse the reports for issue to Council by the Folkestone

Lyon Group. After submission to Council, it is expected that Council will promptly place the Planning Proposal on exhibition for public comment and undertake its independent Peer Review thereafter.

The Land Owner Consultation Session was by invitation to “...land owners as defined within the land catchment of the planning proposal, namely lands bounded and within Newline Rd, Old Northern Rd and Hastings Rd.”

Advice received (by email dated 15 September 2016) from the SDRRG representative on the PCG was that:

- The briefing/consultation session was held on 3 September 2016 from 1pm to 5pm, where attendees could view all technical reports and seek any advice as required from the consultant team
- Thirty two (32) landholders attended (we sighted the meeting attendance register maintained by the SDRRG)
- Four (4) written submission were received from landholders regarding the briefing information provided (we sighted the submissions)
- The submissions were issued by Invoke to Project Manager APP for review and consideration. All submission generally related to technical ecology and road design - all were considered and amendments made to technical reports as appropriate. Feedback was provided to land owners who made a submission.

xiii. 13 September 2016, being draft minutes of the South Dural Committee meeting and noting from a probity perspective the minutes contained the following motion, which was carried and accepted by the Committee following Mr Alloggia’s having provided the Committee with an overview of the Planning Proposal with amended final reports by email on 9 September 2016 (i.e. following land holder consultation on 3 September 2016):

- *Item 5: Motion put that the Committee directs Mr Rick Alloggia from Invoke Property to vote in favour of and agree to the form of the rezoning reports arranged by the Folkstone Lyon Joint Venture as Developer Proponent and to the lodgement of those reports with Council by the Developer Proponent.*

- i. Records of SDRRG General Meetings of 20 April 2015, 26 November 2015 and 16 March 2016, containing Project briefings and updates, including key issues. In particular, the records show the SDRRG was briefed on and approved the appointment of Invoke Property as the SDRRG representative in the Project, the appointment of Statewide as Preferred Developer Proponent and the conditions to be met by any new developer seeking to join the PCG.
- j. Presentation slides dated 16 March 2016 used by Statewide to brief the SDRRG, including the:
 - i. Project timeline (from appointment of Statewide to the Preferred Developer Proponent role to Council Peer Review of studies to be submitted)
 - ii. December 2015 Council meeting
 - iii. Project Control group (PCG)
 - iv. Funding Agreement with Council
 - v. Initial Gateway Determination approved March 2014 and subsequent 24 month extension of time granted by the DP&E

- vi. Engagement through tender of technical consultants to undertake the necessary studies, consultant budget breakdown, identification of key consultants, overall program for completion of studies by end July 2016
 - vii. Milestone meetings and key issues.
- k. Presentation slides dated 9 May 2016 used by Statewide to brief the SDRRG, including:
- i. Work done by the PCG since the last briefing (see above)
 - ii. Rezoning conditions to be met for Gateway Determination
 - iii. Technical team/studies commissioned by the PCG
 - iv. The need for land access to undertake necessary studies
 - v. Preliminary findings of studies to date
 - vi. Further/ongoing studies and infrastructure investigations
 - vii. Marketing material
 - viii. Next steps and timing for submission of studies to Council.
4. Sighted a copy of correspondence dated 7 March 2014 to Hornsby Shire Council from the DP&E regarding the Gateway Determination of the South Dural Rezoning proposal, advising that the proposal could proceed subject to the conditions detailed in that correspondence. These included additional technical studies, community consultation, consultation with certain Government agencies, further Council consultations and a timetable for completion.
5. Sighted letter dated 28 October 2015 from Statewide to Hornsby Shire Council and observed that it contained the following provisions regarding the principles of probity:
- a. Acknowledgement of previous meeting(s) with Council regarding the proposed South Dural Planning and Rezoning Project proposal
 - b. Acknowledgement and proposed Statewide response to DP&E and Council requirements for an updated business case, in particular that this be undertaken concurrently with the updated technical studies required, together with a proposed draft resolution for Council to consider, to enable Statewide's proposed approach
 - c. Statewide's proposed Project governance arrangements, including the establishment and broad Terms of Reference of a PCG, the adoption of a Probity Plan and monitoring of the PCG by an independent Probity Advisor
 - d. The initial membership of the PCG and conditions to be met by other developers who may seek to join the PCG in future
 - e. Adoption by the PCG of a Procurement Plan, including briefs for the technical studies to be submitted to Council
 - f. A funding agreement between Statewide and Council to resource Council's participation in the Gateway Determination process for the Project
 - g. DP&E and Council facilitation of Statewide's liaison with State agencies as required to facilitate Gateway Determination process
 - h. Council to peer review the required technical reports commissioned by Statewide through the PCG
 - i. Proposed revised timetable for the Project, noting that ultimately a 24 month extension was granted by DP&E
 - j. Letter of support dated 29 October 2015 from the SDRRG for the Statewide proposal
 - k. Copy of OCM's proposal to provide independent probity services to the Project.

6. Reviewed PCG Terms of Reference, which were consistent with those documented in the letter dated 28 October 2015 from Statewide to Hornsby Shire Council and observed that from a probity perspective the PCG's responsibilities were generally to:
 - a. Provide overall strategic guidance and oversight of the management of the Project and take overall responsibility for delivery of the Project
 - b. Ensure the Project Objectives are achieved
 - c. Monitor and ensure compliance with the Project budget
 - d. Ensure appropriate resources are put in place to deliver the Project as and when required
 - e. Endorse key Project appointments (technical consultants)
 - f. Endorse the specifications (for technical studies)
 - g. Ensure confidentiality of information as required and appropriate
 - h. Approve the Probity Plan and Project Plan and ensure the Project is managed in accordance with these Plans
 - i. Monitor risk and quality control and approve Project changes or deliverables.
7. Attended PCG meetings of 16 January 2015 (Establishment meeting), 29 January 2016, 16 February 2016, 7 April 2016 and 5 May 2016 and/or reviewed the minutes of these meetings and related PCG Reports prepared by the Project Manager (APP). OCM observed the PCG acted consistent with its Terms of Reference (see item 6 above), including the following elements relating to the principles of probity:
 - a. Confirmation by each PCG member at each meeting that they had no conflicts of interest
 - b. Probity Plan - endorsed in principal by PCG on 29 January 2016.
 - c. PCG endorsement on 29 January 2016 of the appointment of a range of technical consultants recommended by APP
 - d. Tendering arrangements for procurement of technical consultants/studies, including traffic and transport studies. Key elements addressed included assessment criteria, weightings, scoring methodology and guidance, score sheets, indicative briefs and invitation documents - endorsed by PCG on 15/16 February 2016. APP advised that:
 - i. The list of proposed consultants for the relevant disciplines was identified and recommended to the PCG by APP based on its expertise in the field of greenfield rezoning together with its knowledge of which consultants have credibility with the Department of Planning and Environment.
 - ii. Prior to drafting the technical briefs, discussions were held with Hornsby Shire Council so that an understanding of the requirements of the Gateway could be incorporated into the briefs. Council were consulted and invited to comment on the technical briefs. Council opted not to comment
 - e. Land Access Protocols - endorsed by PCG on 29 January 2019
 - f. Project program and budget - endorsed by PCG on 29 January 2016
 - g. Stakeholder Engagement Plan - endorsed by PCG on 29 January 2016
 - h. PCG Terms of Reference – endorsed by PCG on 16 February 2016
 - i. Project Plan - endorsed by PCG on 16 February 2016.
8. Attended final PCG meeting on 14 September 2016 and reviewed the final PCG Report (Number 5) from a probity perspective, and observed it included:
 - a. Summary of recommendations for:

- i. endorsement of the South Dural Planning Proposal, Business Case and Infrastructure Strategy, Development Control Plan and technical Studies be lodged with Hornsby Shire Council, and
 - ii. consideration of OCM's Probity report for lodgement with Hornsby Shire Council
- b. Minutes from previous meetings
- c. Identification of key remaining project issues and risks together with further work to be completed by Statewide post-lodgement of the Planning Proposal with Council
- d. Project cost report and program update
- e. A summary of project management activities underpinning this report, noting part 3.9 Landowner Consultation confirms that: *"Prior to lodgement, a landowner consultation meeting was held for the purpose of presenting the findings of the technical studies. An additional meeting was held for the purpose of presenting hard copies of the documents as well as some large scale maps for the landowners to review at their perusal prior to lodgement."*
 - a. South Dural Planning Proposal, September 2016
 - b. South Dural Development Control Plan, September 2016
 - c. South Dural Economic Impact Assessment, July 2016
 - d. South Dural Technical Studies, including:
 - i. Biodiversity Assessment report, September 2016
 - ii. Peer Review Report – South Dural Vegetation, 15 July 2016
 - iii. Bush Fire Protection Assessment – Proposed Rezoning – Dural, 9 September 2016
 - iv. Aboriginal Heritage Study, August 2016
 - v. Statement of Heritage Impact – South Dural Heritage Study, September 2016
 - vi. South Dural Water Cycle Management Plan, 20 July 2016
 - vii. Infrastructure Services Report – South Dural, August 2016
 - viii. Preliminary Site Investigation – South Dural Precinct, 13 July 2016
 - ix. South Dural Development Transport Management and Accessibility Plan, 6 September 2016
 - x. Social Planning Analysis for South Dural Precinct – Final Report, 15 August 2016

From a probity perspective we note that:

- The affected land holders have had an opportunity to read the study reports and speak to the sub-consultants. In this regard we sighted the 4 feedback forms submitted by land holders, indicating there did not appear to be any significant issues/concerns and nothing of a probity nature
- Council will independently peer review every study using their own sub-consultants, as part of the process of considering the planning proposal to be submitted by the JV, and
- APP (as Project Manager) and individual PCG members confirmed that sub-contractors had not raised any probity issues or concerns with them.

- e. Observed from a probity perspective that the SDRRG representative on the PCG articulated and represented the position of the landholders regarding submission to Council of the technical studies/reports and planning scheme documents overall, consistent with the resolution of the Dural Committee meeting of 13 September 2016 (see 3 h xiii above).
9. Sighted samples of the following key documents approved by the PCG for issue:
- a. Letter for information to land owners, outlining key project information, including appointment and role of Statewide, the need and process for technical studies, including land access and letters of consent.
 - b. Letter of Consent, to be completed by land owners willing to allow access to their land.
 - c. Land access 'song sheet' containing consistent information to be used to inform land owners where access is required for technical studies.
 - d. Land Access Register, listing potentially affected land owners, to who's land access may be required.

OCM confirmed via review of these documents that the PCG was kept up to date during the course of the project, consistent with the terms of reference for this group.

10. Sighted DP&E publicly available website and observed it contained, under the heading Major Projects, a link to the South Dural Planning Proposal which contained the following relating to the elements of probity:
- a. Historical information from November 2015 noting Statewide had presented a submission to Council which outlined an alternate approach to the preparation of the technical studies and Precinct Plan, including the formation of a PCG. The submission included a letter of support from the SDRRG, a revised Funding Agreement and governance model outline which included an independent Probity Advisor. A report was considered by Council at its meeting on 9 December 2015.
 - b. Historical information from January 2016 advising that a Funding Agreement has been executed to facilitate the progression of the Gateway Determination for the South Dural Planning and Rezoning Proposal and the formation of the proposed PCG endorsed, to prepare and submit the technical studies and Precinct Plan.
 - c. Historical information from February 2016 advising the Gateway Determination issued on 7 March 2014 had been extended by 24 months on application by the DP&E for the South Dural Planning and Rezoning Proposal. The revised timeframe for completing the planning proposal (Local Environmental Plan) is 14 March 2018.
 - d. Background information including a copy of the Gateway Determination, planning proposal and Council report and resolution
 - e. General next steps, in particular that a number of studies need to be undertaken, all of which will be paid for by the proponent and that once completed the studies and any resulting concept plans will be placed on exhibition for public comment.
11. Sighted advice dated 5 May 2016 from APP confirming that tender submissions received from specialist consultants for the technical studies sought by the PCG and other confidential documents related to South Dural have been stored on APP's internal file storage system. These files are only accessible via an APP computer by the project team at APP (only those individuals who have provided confidentiality undertakings).
12. Confirmed with each PCG member on 1 July 2016, 13 September 2016 and 14 September 2016 that:
- a. They had no probity issues or concerns and were not aware of any residual/unresolved probity issues or concerns regarding the process followed by Statewide or the PCG to date

- b. No SDDRG members or other affected landholders or other parties had expressed any probity issues or concerns to them regarding their treatment by Statewide, and
- c. They were not aware of any landholders likely to claim they have not been fairly or equally treated during the planning and rezoning process, including the technical studies undertaken by Statewide and the PCG.

Appendix A: Key Probity Principles

Accountability of the participants and transparency of the process

Accountability and Transparency are related concepts. Accountability involves agencies being able to justify the use of public resources to an appropriate authority by allocating and taking responsibility for past and expected performance. This includes aligning the decision-making process with the appropriate delegated authority, and keeping adequate records that will leave an auditable trail. Transparency refers to the preparedness to open a project and its processes to scrutiny and possible criticism. This also involves providing reasons for all decisions that are taken and the provision of appropriate information to relevant stakeholders.

Fairness, impartiality and honesty

Individuals and organisations involved in preparing and submitting proposals are entitled to expect impartial treatment at every stage of the process. If they do not consider the process to be fair, impartial and honest they may withhold valuable ideas or be deterred from bidding in the future. Any form of bias, whether driven by personal interests or not, could jeopardise the integrity of the project. Procedures that include multiple person panels, independent members and observers mitigate this risk.

Management of Conflicts of Interest

A conflict of interest is a conflict between the public duty and private interests of a public official where the public official has private interests which could improperly influence their official duties and responsibilities. The community and potential tenderers have a right to expect that public officials will make decisions that are not influenced by private interests. Similarly, when the private sector is engaged to perform public sector duties, there is an obligation to ensure that conflicts of interest are disclosed and effectively managed. Perceived or potential conflicts of interest can be as damaging as actual conflicts, and procedures should be implemented to mitigate the effect.

Maintenance of confidentiality and ensuring security

Although accountability and transparency are fundamental to the work of public sector organisations and public officials, there is some information that needs to be kept confidential, at least for a specified period of time, in order to protect the integrity of the process and give tenderers the confidence to do business with government. This information can include the content of proposals, intellectual property and tenderers' pricing and profit structures. Importantly, much of the information relating to the project needs to be kept confidential up to the point where a contract is executed with the successful tenderer. However, once this has happened, government guidelines require that certain information be released, consistent with the fundamental principles of public sector accountability and transparency, as discussed above. Procedures must be implemented to ensure that no unauthorised release of confidential information occurs.

Attaining value for money

This is demonstrated by the use of an open competitive environment in which the market is tested regularly, and tenderers can make attractive, innovative proposals with the confidence that they will be assessed on their merits. Value-for-Money is not necessarily achieved by accepting the lowest available price. The process should include: the evaluation of non-price criteria (such as the quality of the goods or services offered, the experience and past performance of the providers, the financial strength of the companies, the differing risk factors, the quality of the personnel, etc.); cost-benefit analysis against a target outcome or budget; the assessment of the total cost over the proposed life of the project; and, where appropriate, whether the outcome is best achieved by the Private Sector, using a Public Sector Comparator. Lapses in probity may lead to one or more parties obtaining unreasonable financial gains at the expense of the public interest. Procedures should include a comparison of the non-price and price criteria on a weighted basis, with both the criteria and the weighting between price and non-price criteria declared in the Information Memorandum.

Appendix B: Statement of Responsibility

Management's responsibility for the process

The management of Statewide Property Ventures Pty Ltd are responsible for the design and implementation of the Project's process controls in accordance with Statewide Property Ventures Pty Ltd policies. This responsibility includes establishing and maintaining processes to ensure that the process meets appropriate probity policies, laws and regulations.

Assurance practitioner's responsibility

Our responsibility is to express a conclusion on the process based on our review. We have conducted our review in accordance with the Australian Auditing Standard on Assurance Engagements ASAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Government Auditing and Assurance Standards Board, in order to state whether or not, on the basis of the procedures described and witnessed where appropriate, we have become aware of any matter that makes us believe that the process is not in accordance with the principles described above.

A review consists primarily of making enquiries, primarily of persons responsible for undertaking the evaluation process and its underlying documentation, applying analytical and other review procedures, and examination of evidence for a small number of transactions or events. A review is substantially less in scope than a reasonable assurance audit conducted in accordance with ASAE 3000. Accordingly, we do not express an audit opinion. Had we performed a reasonable assurance audit as defined by ASAE 3000 or an audit as defined by the Australian Auditing Standards, additional information may have come to our attention, which would have been reported to Statewide Property Ventures Pty Ltd.

While conducting our review and/or in our report we may provide advice and/or recommendations in relation to the mitigation of risk of challenge to the processes undertaken by Statewide Property Ventures Pty Ltd. In these cases, our responsibility is limited to providing such advice and/or recommendations, based on our experience and knowledge of the subject matter of the project. For the avoidance of doubt, the procedures performed in providing advice and/or recommendations do not constitute an assurance engagement in accordance with the Australian Auditing Standards for Assurance Engagements, nor do they represent any form of audit under the Australian Auditing Standards. We therefore do not express any form of assurance in relation to the advice and/or recommendations, and none should be inferred from any such commentary in this report.

Inherent limitations

Our work is subject to the following limitations:

- Owing to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the

weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the evaluation process, or potential instances of non-compliance that may exist.

Advice and/or recommendations for improvement should be assessed by management for their full commercial impact before they are implemented.

Limitations on use

This report is made solely to the management of Statewide Property Ventures Pty Ltd, for the purpose of providing a report to senior management on the appropriateness and robustness of the evaluation process and should not be quoted in whole or in part without our prior written consent. We disclaim any assumption of responsibility for any reliance on this report to any person other than the management of Statewide Property Ventures Pty Ltd, or for any purpose other than that for which it was prepared.

We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.

Independence, Competence, and Experience

All professional personnel involved in this engagement have met the independence requirements of the Australian professional accounting bodies.