



Australian Government
**Department of Infrastructure
and Regional Development**

EXECUTIVE MINUTE

on
JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT No.462
Commonwealth Infrastructure Spending

General Comments

The Department of Infrastructure and Regional Development ('the Department') has reviewed the recommendations in the report of the Joint Committee of Public Accounts and Audit (JCPAA) and our position on each recommendation directed to the Department is below.

The Department acknowledges the role played by the JCPAA in the continuous improvement of Commonwealth Government administration.

Response to the recommendations

Recommendation No: 1

The Committee recommends that, in relation to project approval instruments for future infrastructure projects, the Department of Infrastructure and Regional Development provide explicit advice to its Ministers on whether the requirements of the land transport legislation have been met and, where sufficient information is not available to make such an assessment, identify this in its advice.

Response

Agreed

The Department's usual practice is to provide a Ministerial Brief, which accompanies the project approval instrument. This brief covers a range of matters, including whether the requirements of the land transport legislation have been met.

Recommendation No: 2

The Committee recommends that the Department of Infrastructure and Regional Development only make significant payments when required by a project according to agreed milestones due to the unnecessary interest and holding costs and risks, including unquantified risks, arising from advance payments.

The Committee recommends that the Department of Infrastructure and Regional Development's advice in relation to significant payments in advance of project needs should clearly and specifically set out:

- the additional interest charges and costs arising from additional Commonwealth borrowing so Ministers are fully informed of costs to the taxpayer if deciding to make advance payments; and*
- any identified risks and potential risks arising from advance payments so Ministers are fully informed of risks to the Commonwealth if deciding to make advance payments.*

Response

Agreed

The Department's role in providing advice on payments is to ensure that project payments are made upon the achievement of jointly agreed milestones.

The Department will provide advice on a range of risks associated with a payment in advance of need should it occur in the future, including those issues referenced in the JCPAA report.

Recommendation No: 3

The Committee recommends that the Department of Infrastructure and Regional Development review its approach to drafting project approval instruments, to identify any risks that may be relevant to the use of Commonwealth funding and to develop a generic form of conditions that can be included in future instruments to address these risks.

Response

Agreed with Qualification

While the Department agrees with the recommendation, this needs to be qualified as the briefings provided to the Minister accompanying the project approval instrument also usually identify risks and appropriate ways to mitigate them.

In addition, the original Approval Instrument is only one of a number of means to control the flow of funds to a recipient.

Other methods include:

- financial arrangements as set out in the Schedules to the National Partnership Agreements;
- a Memorandum of Understanding that sets out the intentions of the parties with respect to entering into a formal agreement as well as funding and financing arrangements;
- conditions on subsequent project approval instruments that may be issued;
- the achievement of project milestones; and
- the exercise of discretion by decision makers in making payments.

Recommendation No: 4

The Committee recommends that the administrative guidelines for loans that the Department of Infrastructure and Regional Development is developing in response to Recommendation 1 in Audit Report No. 38 (2016–17) The Approval and Administration of Commonwealth Funding for the WestConnex project, include a requirement that project proponents identify alternative funding strategies to a Commonwealth loan, as well as information explaining why Commonwealth funding would be the most effective, efficient and economical option.

Response

Agreed

The Department considers its approach to project funding and financing on a case-by-case basis in a manner consistent with the Principles for Innovative Financing (February 2016).

In addition, more recently in May 2017, the Australian Government announced the establishment of the Infrastructure and Project Financing Agency to assist it identify, assess and broker financing opportunities for infrastructure projects.

Recommendation No: 6

The Committee recommends that the Department of Infrastructure and Regional Development undertake a review of the Infrastructure Management System to identify ways in which to:

- *record additional information about the reasons for milestone payments and revisions;*
- *improve the quality of data submissions, including controls and data validation approaches; and*
- *capture information on incremental and cumulative project expenditure by the entities responsible for delivering projects.*

Response

Agreed

The Department is undertaking a review of the business information and communications technology systems.

Signed by



Judith Zielke PSM
Deputy Secretary

18 December 2017