



TREASURER

Senator Dean Smith
Chair of Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Senator

Thank you for your letter of 22 June 2017 in which you notified me of the Joint Committee of Public Accounts and Audit (JCPAA) tabled report No. 462 *Commonwealth Infrastructure Spending*. Recommendation 7 of the report was directed to my Department.

Following an assessment of this recommendation, my Department is not inclined to undertake a review at this point in time. Whilst a review of section 20 of the *Federal Financials Relations Act 2009* (the FFR Act) has merit, the FFR Act needs to remain broad so that it is sufficiently flexible to deal with different circumstances.

Although a review will not be conducted at this point in time, my Department will consider how section 20 could be amended along the lines recommended by the Committee, in conjunction with any future amendments of the Act.

The response to recommendation 7 is provided with this letter and complies with the resolution of the House of Representatives that the Government must respond within six months from the presentation of the report.

Yours sincerely

A large black rectangular box redacting the signature of The Hon Scott Morrison MP.

The Hon Scott Morrison MP

7 / 11 / 2017



Australian Government

The Treasury

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT NO. 462

Commonwealth Infrastructure Spending

General comments

The Joint Committee of Public Accounts and Audit's inquiry into Commonwealth infrastructure spending was based on Auditor-General's reports: No. 14 (2015-16) *Approval and Administration of Commonwealth Funding for the East West Link Project*; and No. 38 (2016-17) *The Approval and Administration of Commonwealth Funding for the WestConnex Project*.

Report 462, tabled on 21 June 2017, made seven recommendations. Recommendation 7 was directed to the Treasury.

Response to the recommendation

Recommendation No. 7


The committee recommends that the Department of the Treasury review the operation of section 20 of the *Federal Financial Relations Act 2009*, including the discretion applied to recover funding allocated in the future in the case of underspends, unfulfilled project conditions or project cancellation, as well as the current inability to recover interest earned on unspent National Partnership payments.

The Treasury is not inclined to undertake a review of section 20 of the *Federal Financial Relations Act 2009* (the FFR Act) at this juncture.

The FFR Act needs to remain broad to allow sufficient flexibility across many different circumstances, the arrangements for which are appropriately dealt with in relevant National Partnership Agreements. Whilst the FFR Act has the current inability to recover interest earned on unspent National Partnership payments, some existing agreements contain such conditions (e.g. National Partnership Agreement on Land Transport Infrastructure Projects and National Partnership

Agreement in Infrastructure Projects in Western Australia). The need to trigger section 20 has been limited by restricting the use of in-advance payments to the States.

The Treasury will however, further consider how section 20 could be amended along the lines recommended by the Committee, in conjunction with any future amendments of the FFR Act.



John A. Fraser
Secretary