



**Australian Government**  
**Department of Finance**



# Submission to the Joint Committee of Public Accounts and Audit

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# 1. Introduction

The Joint Committee of Public Accounts and Audit's (JCPAA) inquiry into Commonwealth Procurement is concerned with any items, matters or circumstances connected with the Auditor-General's: Report No. 9 (2017-18) *Management of the Pre-construction Phase of the Inland Rail Programme*; Report No. 12 (2017-18) *Management of the Contract for Telephone Universal Service Obligations*; and Report No. 61 (2016-17) *Procurement of the National Cancer Screening Register*.

On 13 December 2017, the JCPAA requested that the Department of Finance (Finance) provide a submission to the inquiry on Report No. 9 (2017-18) *Management of the Pre-construction Phase of the Inland Rail Programme* (Report No. 9). Consistent with Finance's role, this Submission focuses on the implementation of governance, oversight and reporting arrangements for the delivery of Inland Rail, following the 2017-18 Budget.

The objective of the ANAO audit was to assess whether value for money was being delivered by the ARTC management in the pre-construction phase of the Inland Rail project. The ANAO examined whether:

- governance arrangements were appropriate;
- administration of grant funding was effective; and
- ARTC's procurement activities provided value for money and were supported by Information and Communications Technology systems and appropriate policies and procedures.

The ARTC agreed in principle to all recommendations as did Finance and the Department of Infrastructure, Regional Development and Cities (Infrastructure), as ARTC's 'Shareholder Departments'.

## 2. ARTC as a Government Business Enterprise

ARTC is a limited company registered under the *Corporations Act 2001*. ARTC is a 'wholly-owned Commonwealth company' and overseen by the Minister for Infrastructure and Transport and the Minister for Finance (as joint Shareholder Ministers).

ARTC is subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), its supporting rules, the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines (GBE Guidelines).

GBEs have specific Commonwealth reporting and disclosure requirements set out in legislation that go beyond those of a private company. These include annual, periodic and ad hoc reporting arrangements, as well as disclosure of information through Parliamentary mechanisms. ARTC is required to undertake planning and reporting requirements, including:

- Corporate Planning;
- Annual Reporting;
- Financial Statements;
- Supplementary Interim Reports; and
- Performance Audits.

### 3. Response to the findings of Audit Report No.9 (2017-18): *Management of the Pre-construction Phase of the Inland Rail Programme*

Finance agreed to the recommendations of Report No. 9, noting that there were no recommendations directed at Finance.

In the 2017-18 Budget, the Government announced that it would provide an additional \$8.4 billion in equity for ARTC to deliver the Inland Rail project. Finance has subsequently been involved in establishing a number of governance and reporting arrangements to oversee ARTC's delivery of Inland Rail and to ensure the appropriate management of the Commonwealth's equity investment in ARTC.

### 4. Inland Rail Governance Arrangements

In addition to the existing governance and reporting arrangements for ARTC as a GBE, specific governance arrangements have been established for Inland Rail, reflecting the scale and complexity of the project. These arrangements provide the Commonwealth with oversight and assurance mechanisms. These arrangements:

- ensure the project is delivered according to the Government's objectives, including the efficient, effective and economical use of public resources and the achievement of value for money;
- provide a clear separation of roles, responsibilities and accountabilities between ARTC and the Commonwealth;
- facilitate an environment and culture that is focused on project delivery, with appropriate governance and oversight arrangements in place;
- provide a transparent reporting and accounting framework across the delivery program; and
- have appropriate regard to the risk and significance of the Inland Rail project.

## 4.1 Statement of Expectations

A Statement of Expectations from the Shareholder Ministers has been provided to ARTC specifically in relation to Inland Rail. The Statement of Expectations outlines the Shareholder Ministers' expectations of ARTC including its objectives for ARTC to deliver Inland Rail in a timely, transparent and financially responsible manner and to ensure appropriate governance and reporting arrangements are in place.

## 4.2 Equity Financing Agreement

In Report No. 9, the ANAO concluded that *'governance arrangements for the pre-construction phase of the Inland Rail programme were appropriate although there was not timely implementation of the Minister's decision that a funding agreement be developed between the Department of Infrastructure and Regional Development and the ARTC'*.

Following the announcement in the 2017-18 Budget of additional equity for Inland Rail, an Equity Financing Agreement between the Commonwealth and ARTC was established. This agreement was concluded prior to any equity financing being provided to ARTC.

## 4.3 Project Development Agreement

A Project Development Agreement between the Commonwealth and ARTC will detail the parties' respective obligations and objectives, as well as define the scope of the project and a mechanism for any changes. The Project Development Agreement will also provide clarity on the roles and responsibilities of the ARTC and the Commonwealth in delivery of Inland Rail over the length of the construction program. It is currently being finalised with ARTC.

## 4.4 Senior Oversight Committees

A senior committee has been established for the Inland Rail project (the Inland Rail Sponsors Group), which currently meets monthly and provides ongoing oversight by the Shareholder Departments. Membership of the Sponsors Group includes the Secretaries of Finance and Infrastructure, and the ARTC Chair.

The Sponsors Group provides strategic direction and oversight of ARTC's delivery of Inland Rail. It reports on major issues and key milestones to the Minister for Finance and the Minister for Infrastructure and Transport through Shareholder Departments. The Inland Rail Sponsors Group is conducted to the highest standards of probity and accountability, including measures to address perceived or real conflicts of interest on the part of ARTC.

The responsibilities of the Inland Rail Sponsors Group includes:

- monitoring implementation of Inland Rail;
- facilitating the delivery of the Inland Rail project to ensure the provision of comprehensive and cohesive advice to Government from Shareholder Departments;

- providing strategic input and advice on the progress of key milestones in the Inland Rail project by facilitating decisions on key project and policy matters;
- monitoring the progress of the key milestones to ensure completion within agreed timeframes;
- monitoring ARTC's implementation and compliance with relevant agreements and the Government's decision on Inland Rail, including a Statement of Expectations, Equity Financing Agreement and Project Development Agreement;
- acting, at all times, in a manner that assists in meeting the Government's objectives for the Inland Rail project;
- facilitating and expediting the negotiation and effective completion of intergovernmental agreements with the States, and their implementation; and
- considering and advising on broader complementary infrastructure investments by the Commonwealth and ARTC that are relevant to Inland Rail.

A senior Project Monitoring Group has also been established to support the Inland Rail Sponsors Group which includes representatives from ARTC and Shareholder Departments. The Project Monitoring Group provides a management level interface for information exchange, monitoring of progress and to respond to any actions arising from the Sponsors Group.

## 5. Commonwealth Procurement Rules

The Commonwealth Procurement Rules are administered by Finance. As a wholly-owned Commonwealth company, ARTC is not required to comply with these rules. ARTC is expected to maintain high standards of probity and financial controls in connection with its procurement functions. This includes ensuring all procurement processes are transparent, achieve value for money and encourage competition by testing the market.