EXECUTIVE MINUTE

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT No.473

Defence Major Projects Report 2016-17

RECOMMENDATION 1 – *The Committee recommends that the Department of Defence provide a written update to the Committee outlining progress in updating Project Maturity Scores three months after tabling of this report.*

Response: Agree
Defence has completed an initial review of the Project Maturity Score procedure (DMSP (PROJ) 11-0-007) to update it to more contemporary language. To address the findings of this initial review, Defence wrote to the Australian National Audit Office (ANAO) on 14 March 2018 with two options on re-calibrating the scoring methodology to better align with the Capability Lifecycle (i.e. expanding the scale between Initial Materiel Release, Initial Operational Capability, Final Materiel Release and Final Operational Capability). A two-stage approach was agreed. It was envisaged that this update would allow scoring to commence at Gate Zero; extend the existing scale from 70 to 100; and increased the granularity of the scores between IOC and FOC and in the detailed design, testing, and certification phases, as these are critical points in the development of capability.

Work commenced on the updated policy and in June 2018, it was provided to internal Defence stakeholders and the ANAO in parallel to speed up the process. A number of issues were identified in this process, most notably were the changes required to Defence's reporting system (MRS). MRS is an aging platform and to implement this policy, difficult and expensive changes would be required to both the software codes and database design. Concerns were raised with respect to "value for money" in terms of cost and time required to make the MRS changes, noting that the Enterprise Resource Planning Project begins to roll-out from 2020.

Defence also received detailed feedback from the ANAO through this consultation process. Defence agrees with the ANAO that "it may be prudent to reconsider the two-stage approach discussed with the JCPAA in March, to allow more time to undertake a more detailed revision of this policy and to ensure this is able to be flowed through the reporting systems, such as MRS".

As previously outlined to the Committee, there are other methods used to detail the level of project maturity and risk to a project, other than using the current Project Maturity Score policy:

- For pre-Gate 2 stage projects, Smart Buyer is used to inform Defence and Government. Smart Buyer enables Capability Managers and project teams to identify and analyse key project risks and drivers, and use that analysis to develop tailored Project Execution Strategies (PES). Similar to the Project Maturity Score methodology, a set of standard questions is used to identify and assess the key areas of risk. These ratings are then used to assess whether a project is ready to progress, and assist to develop a tailored Project Execution Strategy to manage any identified risks.

- Through the Risk Management Reform Program, Defence intends to provide a coordinated and holistic approach to risk management across the organisation (incorporating strategic and business level, acquisition, and sustainment, risk management). This would allow projects to track their retirement of risk throughout the project lifecycle, and allow it to be reported consistently across the organisation. The recently approved Enterprise Resource Planning Project will replace Defence's disparate structures, processes, systems and tools into a single source using a SAP-based Enterprise Resource Planning (ERP) system. This will allow the Risk Management body of work to be integrated into this single system and enable the full benefits of the Risk Reform program to be realised.

However, until the new policy is in place, Defence will continue to enforce the current Project Maturity Score policy. Defence has made improvements to the way the policy is used across the organisation:

- Defence has undertaken to reinvigorate the discipline within projects to meet the requirements of the extant guidance through promotion via various publications, strengthening practice guidance and through our Project Management Centre of Expertise.
- The Defence Independent Assurance Review (IAR) procedures have been amended to include testing the accuracy of the Project Maturity Scores for individual projects as each project undertakes their performance IARs.
- Further, Project Maturity Scores have been included in the "Project Dashboard" in the CASG Quarterly Performance Report with effect from the December 2017 report. This has lifted the Project Maturity Score profile and improved their validity within the organisation.

In the long term, Defence considers it would be beneficial for the Project Maturity Score concept to be addressed through Smart Buyer for pre-Gate 2, and the risk reform program work post-Government approval. Post-Gate 2, elements of the Risk Management Reform program will be better placed to report on project progress and retirement of risk through the lifecycle. Roll out of the ERP will enable these improvements to be realised and reported in the MPR in future years.

RECOMMENDATION 2 – *The Committee recommends that the Department of Defence plans and reports a methodology to the Committee which shows how acquisition projects can transition from the use of spreadsheet risk registers to tools with better version control measures.*

Response: Agree
In addressing Recommendation 2 in the *JCPAA Defence Major Projects Report 473* it is notable that Defence's Major Capital Acquisition Program (delivered by Defence's Capability Acquisition and Sustainment (CAS) Group) is partway through a significant 2-year program of risk reform (Risk Reform Program). This program will remodel and modernise its management of risk in acquisition and sustainment in the context of Defence's Enterprise Risk Management Framework, including how risk is managed in acquisition projects.

The Risk Reform Program is currently developing revised methodology for managing project risk and intends to commence prioritised transition of projects into the remodelled risk management approach from Q1 2019. Remodelling of the project risk management system (or tool set) will align the following elements: more standardised application of the ISO31000:2018 risk management process, clear definition of the level and depth of risk planning for specific project applications, common risk language, risk analysis tools, standardised format for risk planning, selection of appropriate methods, techniques and approaches, and an information management system to enable enhanced risk-based decision making. The Risk Reform Program has a target completion date of the end of 2019.

The project risk management system under development includes the definition of process requirements that enable appropriate visibility, traceability and auditability of risk records. The selection of, and prioritised transition into an updated information management system (including software) for risk management will also be framed by wider project management and governance information requirements, in line with the Defence ICT strategy as well as work undertaken by Defence's Enterprise Resource Planning (ERP) project.

Defence acknowledges the concerns of the JCPAA committee and ANAO regarding version control of risk information and accepts that data reliability and integrity of risk information underpins effective project governance. More generally, Defence has measures in place that should partially address inadequate version control issues with business information in practice. Defence Records Management policy mandates use of the records management system for all Defence records. Current project risk management practice guidance is also being reinforced to promote better and more standardised version control of project risk information that is managed in spreadsheets. Defence considers that these controls over spreadsheet registers will mitigate the issue until the remodelled approach to risk management is implemented in acquisition projects.

Project transition planning will be structured to consider Defence risks as well as capability life cycle dependencies. It is expected that implementation and embedding of the remodelled risk management practices, including the transition to standardised project risk management tools in acquisition projects, will take a number of annual cycles to reach maturity.

RECOMMENDATION 3 – *The Committee recommends that, within three months of the tabling of this report, the Department of Defence report to the Committee on the outcomes of the second quarter 2018 sea trials for the LHD Landing Craft. If these trials have not yet taken place, Defence should report on why this is the case.*

Response: Agree
In Response to Recommendation 3 of the Report, the LHD Landing Craft sea trials involving carriage of the M1A1 Main Battle Tank were scheduled for the second quarter 2018, however did not proceed due to ongoing technical assessment being undertaken by Defence.

The sea trials have been re-scheduled to occur during the second/third quarter 2019, during the annual amphibious exercise period where the necessary assets can be made available.

Greg Moriarty
Secretary of Defence
29 November 2018

Angus Campbell, AO, DSC
General
Chief of the Defence Force
29 November 2018