



Australian Government
Department of Defence

Mr Dennis Richardson
Secretary

General David Hurley, AC, DSC
Chief of the Defence Force

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT No. 436

REVIEW OF THE 2011-12 DEFENCE MATERIEL ORGANISATION MAJOR PROJECTS REPORT

Response to the recommendations

Recommendation No. 1 paragraph 3.12

To help ensure that project financial assurance statements continue to be robust and meaningful, the Committee recommends that, in consultation with the Australian National Audit Office, the Defence Materiel Organisation continue to seek independent financial assurance during the development of future Major Project Reports for an appropriately selected sample of projects.

Response: Agree

The Defence Materiel Organisation will continue to conduct an independent financial assurance for an appropriately selected sample of projects in the Major Projects Report.

Recommendation No. 2 paragraph 3.25

The Committee recommends that, by 20 June 2013, the Defence Materiel Organisation submit a proposal, for incorporation into the 2013-14 Major Projects Report Guidelines, on how project-level contingency fund data could be disclosed in future Major Projects Reports without being significantly prejudicial to taxpayers' interests. At a minimum, projects that have utilised contingency funds during the previous financial year or are anticipated to use contingency funds in the forthcoming financial year, and the amount of such funds, should be identified in the reports.

Response: Partially Agreed

The Committee should note that the \$1.1b total contingency applied to the projects reported in the 2011-12 Major Projects Report is the total amount across the life of all projects and not the amount applied in 2011-12.

Commencing with the 2013-14 Major Project Report, the Defence Materiel Organisation will report on Projects which have invoked Contingency during the financial year. The Major Projects Report will also report on the anticipated contingency in the forthcoming year in aggregate. To identify future contingency at the individual project level would

continue to prejudice the Commonwealth position and, as such, will not be publicly disclosed.

Recommendation No. 3 paragraph 3.52

The Committee recommends that the Defence Materiel Organisation review its current approach to assigning maturity scores to projects to improve the consistency of their application and their consistency with the Defence Capability Plan.

Response: Disagree

The next edition of the *Defence Capability Plan* will not feature project maturity scores. Project maturity scores have not been used in submissions to Government in recent times. Instead a Materiel Implementation Risk Assessment (MIRA) is summarised in the Government Approval Submissions. The MIRA covers similar matters to the maturity scores but provides a narrative description of the risks and their impacts. Defence Science and Technology Organisation also provides a Technical Risk Assessment. The future of maturity scores and their linkages to the MIRA is under review.

Recommendation No. 4 paragraph 3.61

The Committee recommends that the Defence Materiel Organisation develop a business systems improvement plan which prioritises projects, assigns completion dates and allocates senior level ownership for implementation. A progress update on achievements against the plan should be included in the 2012–13 Major Projects Report.

Response: Agree

The Defence Materiel Organisation has piloted an Integrated Project Management System which is intended to automate and integrate project management systems similar to industry best practice in order to improve productivity and data quality, reduce replication and mistakes, and minimise reporting through an automated project performance reporting system. There is currently a study underway to determine system and architecture requirements, and develop a business case for consideration by Defence and inclusion in the Chief Information Officer integrated program of work.

In addition, and noting the Committee's interest regarding risk management and records management systems, the Defence Materiel Organisation has developed a Defence Materiel Organisation Information Management Investment and Resource Plan 2013-18. The Defence Materiel Organisation will provide an overview on both the Integrated Project Management System and the Information Management Investment and Resource Plan 2013-18 in the 2012-13 Major Projects Report.

Recommendation No. 5 paragraph 3.83

The Committee recommends that, by 20 June 2013, the Department of Defence reports to the Committee on how it intends to achieve greater transparency in relation to its spending on sustainment activities.

Defence believes the current transparency in relation to its spending on sustainment activities is adequate. The Portfolio Budget Statements 2013-14 presents a greater degree of transparency of sustainment activities than has been reported previously.

Defence believes that providing performance details of DMO's sustainment activities consistent with the Major Projects Report would potentially be highly sensitive and of a classified nature.

Performance metrics against the Chief of the Defence Force's Preparedness Directive as well as measures of sustainment effectiveness would provide sensitive information concerning Defence's operational capability commitments and preparedness, and therefore could not be released to the Public.

The ANAO have been consulted with regard to the Recommendation, and note Defence's concerns in relation to the sensitivity of the sustainment activities, which may make more comprehensive reporting complex and resource intensive, however, in the future, would be open to further discussion in relation to reviewing the reporting transparency of Defence sustainment activities.

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