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The Parliament of the Commonwealth of Australia

# Report 429

## **Review of the 2010-11 Defence Materiel Organisation Major Projects Report**

May 2012  
Canberra

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## Foreword

The 2010-11 Defence Materiel Organisation (DMO) Major Projects Report (MPR) is the fourth MPR to be produced by DMO and the third to be reviewed and reported on by the Joint Committee of Public Accounts and Audit. The Committee originally supported the production of the MPR to improve the transparency and accountability of the Defence acquisition process.

The Committee is pleased to report that there has been an overall improvement in the preparation and presentation of data in the 2010-11 MPR but notes that there remains a number of outstanding concerns that require further work.

In its review of the 2009-10 MPR, the Committee recommended that DMO address the ongoing issue of the presentation of financial data in base date dollars. After considerable effort, DMO and the Australian National Audit Office (ANAO) have finally produced an acceptable method and format for the presentation of financial data and the Committee has endorsed the move to an out-turned dollar presentation. The Committee has also accepted the proposal to include a 'Project Assurance Statement' regarding the remaining budget for each project instead of more detailed indexation information. However, I acknowledge the different opinions within the Committee on this issue, in particular the views of Senator Mark Bishop as contained within the attached dissenting report. The Committee will continue to monitor the issue of financial reporting, and in particular the reliability of the proposed Project Assurance Statement, and will revisit the issue if needed.

The steady increase in schedule slippage which has been identified over the life of the MPR is of major concern to the Committee, both in terms of timely delivery of capability to the Australian Defence Force and in budgetary terms. The Committee acknowledges that the evidence suggests the majority of the slippage is made up of legacy projects and indicates that initiatives to improve processes are having an effect on minimising slippage. However, to improve transparency and accountability in this area the Committee recommended that a section be included

in future MPRs that specifically provides information on the activities being undertaken to minimise slippage and the tangible results of those initiatives.

Another ongoing issue of concern to the Committee is the inconsistency of internal management systems across projects. This issue affects the reliability of the information in the Project Data Summary Sheets and ultimately lowers the quality of the MPR. Despite some action being taken to improve the consistency of processes and information, the expected improvements have not yet been achieved. Previous evidence to the Committee indicated that the problem dated back to around the year 2000, and that it would take time to resolve. However, after some 12 years, more progress should have been made to address the issue. The Committee expects to see concrete evidence of results and progress reported in the next MPR.

The MPR is now well established and is a useful tool to monitor Defence major acquisitions and capability. Given this, it is timely to consider its future over the longer term, including the exit criteria for projects and the role of parliamentary committees and other stakeholders.

Despite a proposal that projects exit the MPR at the point of Final Materiel Release, the Committee has retained the current exit criteria of Final Operational Capability. Reservations about the proposal included that valuable information might be lost and that the ability to scrutinise Defence projects could be reduced. The Committee will consider the matter further in future reviews.

The Committee is satisfied that the current format of the MPR largely achieves the original goal of the report but also intends to consult with other relevant committees of the Parliament on ways that the scrutiny of defence capability projects could be enhanced. The Committee would also like to gauge how extensively the MPR is being utilised by external stakeholders, and has therefore recommended that DMO include a discussion on the use by, and value of, the MPR to external stakeholders in the 2011-12 MPR.

I believe that the implementation of the Committee's recommendations will contribute greatly to the continuous improvement that has been witnessed throughout the history of the MPR, and thank DMO, the ANAO and my fellow Committee members for their efforts throughout the inquiry process.

Mr Robert Oakeshott MP  
Chair





## Membership of the Committee

Chair            Mr Robert Oakeshott MP

Deputy Chair   Mrs Yvette D'Ath MP

Members        Hon. Dick Adams MP

Mr Jamie Briggs MP

Ms Gai Brodtmann MP

Mr Darren Cheeseman MP

Mr Josh Frydenberg MP

Ms Deborah O'Neill MP

Ms Laura Smyth MP

Hon. Alexander Somlyay MP

Senator Mark Bishop

Senator Helen Kroger

Senator the Hon. Nick Sherry

Senator Matt Thistlethwaite

## Committee Secretariat

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Inquiry Secretary	Dr Narelle McGlusky
Senior Research Officer	Mr Shane Armstrong
Office Manager	Mrs Dorota Cooley
Administrative Officer	Ms Louise Goss



## List of abbreviations

ADF	Australian Defence Force
ANAO	Australian National Audit Office
AUC	Assets Under Construction
CEO	Chief Executive Officer
COTS	Commercial-Off-The-Shelf
Defence	Department of Defence
DMO	Defence Materiel Organisation
FIC	Fundamental Inputs to Capability
FMR	Final Materiel Release
FOC	Final Operational Capability
JCPAA	Joint Committee of Public Accounts and Audit
MOTS	Military-Off-The-Shelf
MPR	Major Projects Report
OTS	Off-The-Shelf
PDSSs	Project Data Summary Sheets
RAAF	Royal Australian Air Force





# List of recommendations

## Recommendation 1

The Joint Committee of Public Accounts and Audit recommends that the Defence Materiel Organisation include in the 2011-12 Major Projects Report a section specifically providing information on the activities being undertaken to minimise schedule slippage and the results of those activities.

## Recommendation 2

The Joint Committee of Public Accounts and Audit recommends that the Defence Materiel Organisation and the Australian National Audit Office continue to develop the Major Project Report Guidelines jointly but that the Australian National Audit Office take administrative responsibility for updating the Guidelines and submitting them to the Joint Committee of Public Accounts and Audit annually.

## Recommendation 3

The Joint Committee of Public Accounts and Audit recommends that the Defence Materiel Organisation includes a discussion on the use by, and value of, the Major Projects Report by external stakeholders in the 2011-12 Major Projects Report.

