
The Parliament of the Commonwealth of Australia

Report 458

Defence Major Projects Report (2014-15)

Review of Auditor-General Reports No 16 (2015-16)

Joint Committee of Public Accounts and Audit

May 2016
Canberra

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Foreword

The Major Projects Report (MPR) provides review and analysis of the progress of selected major Defence acquisition projects managed by Defence. It considers cost, schedule, and capability performance and includes longitudinal analysis of projects over time. This year's report covers 25 projects with a combined approved budget of \$60.4 billion.

The aim of the MPR is to improve the accountability and transparency of Defence acquisitions for the benefit of Parliament and other stakeholders.

The MPR is a joint publication of Defence and Australian National Audit Office (ANAO); and is prepared in accordance with Guidelines approved by the JCPAA.

The JCPAA assesses the overall content, accessibility and transparency of the information provided in the MPR, in addition to specific details of individual projects.

This year's MPR is the first document of its type to be produced by the Department of Defence following the reforms from the *First Principles Review: One Defence* (FPR) in April 2015. Ongoing commitment, resourcing and leadership will be required to continue to improve the MPR and to fully exploit the opportunities that the First Principles Review process offers.

In this year's review, the Committee notes that project schedule slippage remains a concern despite the initial impression of improvement due to the exit of a number of projects which had not reached Final Operational Capability. The Committee agrees with ANAO, that it remains critical that Defence correctly assesses initial purchase type – that is, between COTS, MOTS, A-MOTS and Developmental – so that projects and their anticipated risks are managed at the appropriate level. The Committee therefore anticipates that it will continue to monitor project schedule slippage in future reviews.

The Committee has also reviewed a number of specific projects that incurred cost and/or time delays – including the Air Warfare Destroyers, and the MRH-90 helicopter acquisition. The Committee notes that despite expectations that the risks involved in these projects were considered to be mitigated, initial program

classification and sub-optimal contract arrangements have resulted in Australian taxpayers carrying a greater burden than necessary.

However, overall, the Committee notes with satisfaction that the MPR as a document and as a process has developed into an excellent tool to assess the status of Defence major acquisition projects. The Committee commends both the ANAO and the Department of Defence on their continued work on this topic.

I thank Committee members for their deliberation on these matters. I also thank Defence and ANAO representatives who appeared at public hearings for assisting the JCPAA in its important role of holding Commonwealth agencies to account for the efficiency and effectiveness with which they use public monies.

Hon Ian Macfarlane MP
Chair



Membership of the Committee

Chair Hon Ian Macfarlane MP

Deputy
Chair Mr Pat Conroy MP

Members Hon Anthony Albanese MP

Ms Gai Brodtmann MP

Mr Andrew Giles MP

Dr David Gillespie (from 19 Oct 2015)

Dr Peter Hendy MP (to 12 Oct 2015)

Mr Craig Laundry MP

Mrs Jane Prentice MP

Mr Angus Taylor MP

Mr Ken Wyatt MP (to 12 Oct 2015)

Senator Cory Bernardi

Senator Katy Gallagher (until 12 Nov 15)

Senator Chris Ketter


Senator Jenny McAllister (from 12 Nov 15)

Senator Bridget McKenzie

Senator Dean Smith

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Terms of reference

On Thursday 11 February 2016, the Joint Committee of Public Accounts and Audit resolved to review ANAO Report No. 16 (2015–16), *2014-15 Major Projects Report*, in detail.

Under section 8 of the legislation establishing the JCPAA, the Public Accounts and Audit Committee Act 1951, one of the duties of the Committee is to ‘examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament’ and ‘report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those ... reports, or any circumstances connected with with them, that the Committee thinks should be drawn to the attention of the Parliament’.



List of recommendations

5 Committee Comment

Recommendation 1

Noting the importance of clear roles, responsibilities, accountabilities and lifecycle management processes, the Committee recommends that the Department of Defence publish the outcomes from Recommendation 2:11 of the *First Principles Review* as soon as practicable and that a summary of this information be included in the next Major Projects Report.

Recommendation 2

To ensure consistency with project level risk information and to improve reliability, the Committee recommends that the Department of Defence review the procedure for development of expected capability estimates for future Major Projects Reports.

Recommendation 3

The Committee recommends that the Department of Defence work with the Australian National Audit Office to review and revise their policy regarding Project Maturity Scores in time for the new approach to be implemented in the next Major Projects Report.

Recommendation 4

The Committee recommends that Defence conduct a review of the Air Warfare Destroyer (AWD) contractual arrangements, examining the distribution of liabilities for project problems. The report should examine:

- how much each alliance partner lost or was liable for when the project ran over budget; and

- what lessons have been learned from the AWD experience in terms of future contractual arrangements and how these lessons have been incorporated into the standard practices of Defence to help mitigate such issues arising in the future.

A report on that review should be provided to the Committee within 6 months of the tabling of this Committee report.

