



Australian Government

Defence

**Joint Committee of Public Accounts and Audit
Inquiry into the 2022–23 Major Projects Report**

**Department of Defence
Supplementary Submission**

September 2024

Overview

As highlighted in the Defence Strategic Review (DSR) and subsequently the National Defence Strategy (NDS), Australia's strategic circumstances require faster delivery of capability into service. To meet this challenge, the Australian Government has made decisions to prioritise and fund the acquisition of key capabilities to bolster Australia's deterrence capabilities.

Defence is improving its One Defence Capability System (ODCS) and the acquisition and sustainment procurement processes within, to reflect the need for agile capability delivery. This includes the deliberate consideration of off-the-shelf systems where appropriate to do so, as directed by the DSR and NDS.

Defence is working to ensure requirements are appropriately established, monitored and controlled throughout the life of a project, from its earliest inception to the introduction of that asset in to service. This work aims to increase schedule achievability without introducing unnecessary risk.

Governance and Assurance Improvements for Defence capability delivery

In reforming the system, many lessons from previous reviews (in particular the Kinnaird, Mortimer, Black, First Principles and the recent Hunter Class Frigates audit) will inform the implementation to improve Defence's advice to Government and improve project performance.

Roles and Accountabilities: This involves ensuring roles, accountabilities and responsibilities are well defined throughout the system and enhancing our delivery governance and assurance processes. Through a strengthened ODCS, there will be reinforcement of the accountability model for managing agreed baselines and articulating escalation criteria for where there are required or proposed changes to scope. This includes mechanisms for escalation, which will be applied across all projects, with some projects having tailored governance and escalation arrangements appropriate to their urgency and complexity.

Requirements set by the Joint Force Authority: To achieve an effective integrated, focused force the Joint Force Authority will provide more direction and oversight to Capability and Delivery Managers, and defence industry, in the strategy phase (pre-Gate 0) during project initiation. Integrated Capability Directives will establish the baseline for capability requirements, aligned to joint capability needs. Defence will bring forward consideration of industry's capability and capacity as early as possible, providing a shared understanding of requirements and the assessment of risks to delivery, which is necessary to realise agile delivery opportunities and speed to capability.

Disciplined management of requirements and baselines: The integrated, focused force is designed using the minimum viable capabilities required to ensure resources are maximised and military capabilities are brought into service as quickly as possible. These requirements are reviewed, at a minimum, once every NDS biennial cycle to ensure the capability remains appropriate for the integrated force considerate of the strategic environment. Capability requirements, appropriate to the project, are recorded and tracked to include Government decisions.

Expanding on the integrated capability directives, Defence will bring forward the smart buyer facilitated workshop with key stakeholders, prior to Gate 0. This will better inform decision making and enable early consensus on how to set the project up for success, as Defence sets the criteria to achieve accelerated acquisition and approval pathways. The outcomes of the smart buyer facilitated workshop will inform development of the implementation risk assessment, which will be reflected in advice to the Investment Committee and Government.

Compliance with legislated requirements: As a project progresses through the capability lifecycle within the ODCS and through to Government consideration, Defence will ensure that that procurement decisions are adequately documented, demonstrate value for money and comply with *Commonwealth Procurement Rules* and the *Public Governance Performance and Accountability Act 2013* (Cth). As the implementation risk assessment matures, it will help provide an auditable trail of compliance, assist in demonstrating value for money decision making, and identify the residual risks to project delivery post approval.

Assurance against the operational scenarios: Following the release of the DSR and NDS, Defence will ensure the integrated force is capable of achieving the required missions within the operational scenarios, as designed. The Joint Force Validation process will test and evaluate whether capabilities delivered by projects are able to achieve the related missions when employed in the integrated force. This mission focus will be applied through the continuous capability development and delivery cycle to ensure fit for purpose outcomes.

Test and Evaluation: Defence has introduced a new governance model to enhance the use of the test and evaluation framework to assure the effectiveness and suitability of procured materiel in addition to enabling the Joint Force Validation process. This model strengthens the regulation and coordination of test and evaluation across Defence, assesses the conduct of testing within select projects and provides transparent, evidence based advice to Defence decision makers.

Reporting and Assurance: Defence will continue to utilise the range of existing robust delivery assurance activities already in place, such as independent assurance reviews, bi-annual updates of the Integrated Investment Program, and quarterly reporting across all projects. Defence has increased the Investment Committee's oversight of post Gate 2 projects, reviewing reporting across all delivery groups on a regular basis.

Defence has also strengthened reporting and oversight on complex and challenging projects and products, providing a monthly report on projects/products of concern (POC) and projects/products of interest (POI) to ministers, as well as convening quarterly POC summits chaired by the Minister for Defence Industry and Capability Delivery. Defence manages a watch list of projects and products that may potentially be elevated to POI status, with formal governance in place to elevate and lower project and products across the watch list, POI, and POC status.

Measuring our performance: Defence is benchmarking current delivery performance metrics, reporting and processes against global best practice. The outcome will be used to standardise and uplift delivery performance reporting across the enterprise. Further, there will be greater focus and systematic analysis of the actions, recommendations and lessons generated by our project assurance and reporting functions.

Skilling and professionalisation: Key to success is ensuring that Defence people have the appropriate commercial, engineering, delivery and management skills. Defence is reviewing its professionalisation framework targeting project and program management, engineering and logistics functions and commercial acumen. This includes a clear framework of competencies, education, certification and practical experience that individuals can follow to develop their careers in procurement and achieve recognised levels of expertise and competence.

Minimum Viable Capability

The DSR identified the concept of minimum viable capability to ensure that capability is delivered at speed. Attributes of a minimum viable capability include:

- Capability that provides what Defence needs to achieve a military effect, quickly, demonstrating value for money and with manageable technical and operational risk.
- Where appropriate and required, can be further developed through sustainment or subsequent investment phases, or divested.

The requirements for a minimum viable capability are based on the strategic need, timing for delivery, approval pathway, procurement method and industry capability and capacity. Defence is establishing an industry intelligence capability that will be operational by the end of 2024 and will provide insight into industry's capability and capacity early and assist in options development.

Defence will consider more off-the-shelf, readily available options that require minimal or no modification. The smart buyer process will support the consideration of off-the-shelf and alternative options in the early stages. This will also drive behaviours that include consideration of capabilities where technology is perhaps less mature but advantageous and accepted as is, with potential options for continuous capability development.

As requested at the hearing on 28 June 2024, below are the definitions that describe the type of capability acquisition options. Note that military off-the-shelf and commercial off-the-shelf are considered part of the definition of off-the-shelf.

Minimum viable capability: A capability (inclusive of fundamental inputs to capability) that can successfully achieve the lowest acceptable level of the directed effect in the required time, able to be acquired, introduced into service and sustained effectively.

Off-the-shelf: A system or equipment that is available for purchase, which is already established in-service with another military or government body or commercial enterprise and requires only minor, if any, modification to deliver interoperability with existing Australia Defence Force (ADF) assets.

Australianised Military off-the-shelf: An adapted military off-the-shelf product where modifications are made to meet particular ADF operational requirements.

Developmental: A product that is not available off-the-shelf and has to be developed specifically to meet the ADF's particular operational requirements.