



Australian Government

Defence

Joint Committee of Public Accounts and Audit

Inquiry into the 2023–24 Major Projects Report

Department of Defence
Submission

September 2025

Introduction and Overview

Defence is grateful for the opportunity to provide this submission to the Joint Committee of Public Accounts and Audit (Committee) in support of the inquiry into the 2023–24 Defence Major Projects Report (MPR). This submission is intended to provide the Committee with information in consideration of the Committee’s Terms of Reference for this inquiry.

Defence acknowledges the extensive work of the Australian National Audit Office (ANAO) and Defence staff in preparing the MPR each year. Defence will continue to work closely with the ANAO on opportunities to ensure the MPR is a high-quality report that achieves the objectives of accountability and transparency. Defence would like to highlight that the MPR is only made possible through the high level of engagement and joint effort of the two agencies. Defence would also like to acknowledge the contribution that industry makes to the report each year. Work is well advanced on the next iteration, the 2024-25 MPR.

2023–24 Major Projects Report

The 2023–24 MPR reported on 21 of Defence’s major projects. Of these, 14 were largely domestic acquisitions, with the remaining seven being Foreign Military Sales or Cooperative Programs. Defence achieved many key project and capability delivery milestones during this reporting period and all projects operated within their approved budget. Defence is conscious of the need to improve schedule forecasting, especially in the current strategic environment where speed to capability is imperative. Defence procurements are some of the most complex projects and programs undertaken by our nation. As technology and integration requirements evolve, Defence’s major projects continue to increase in complexity. In 2023–24, the Capability Acquisition and Sustainment Group and Naval Shipbuilding and Sustainment Group were managing 31 projects of the highest complexity, up from 12 projects a decade ago.

Project Performance

The 21 projects in the 2023–24 MPR have a combined total approved budget of \$81 billion. None of the projects had a real cost increase in 2023–24 and there has been no cost ‘blow out’. The overall budget increase since initial second pass approval is predominantly due to Government approved additional scope and price and exchange variation. For 2023-24, this primarily represented Government approval of additional scope through the acquisition of 58 Joint Strike Fighters and the production of Batch 1 Hunter Class Frigates.

ANAO’s analysis highlighted that the overwhelming majority of agreed scope across the MPR is forecast to be delivered with high confidence.

Defence acknowledges that schedule performance continues to be the greatest challenge. However, the 2023–24 MPR did not identify any performance issues that were not already being managed by Defence. Most key projects suffering schedule delay are, or have been, managed as a Project of Concern or Interest, ensuring that there is appropriate oversight (including Ministerial oversight through performance reporting) over the associated issues. In general terms, this means the project has undertaken an independent assurance review to determine the targeted support that can be provided, mandated senior executive forums between Defence and industry, and the development and monitoring of a dedicated remediation plan.

Notably, when considering common projects across the last three MPRs, aggregate schedule variance has remained largely consistent and may be expected to remain so until long-term projects retire from being reported. In-year schedule slippage has seen minor improvement, however Defence maintains that consideration of schedule delay in aggregate is not the most meaningful way of understanding overall schedule performance. Around half of the total aggregated delay is due to slippage in three of the 21 projects – including the 87-month slippage of the Civil Military Air Traffic Management System (AIR 5431 Phase 3), a well-known Project of Concern. The context of *why* there is schedule delay remains far more important.

Security Management of Information

In the current security environment, the safeguarding of capability information has become critically important. Increasingly, information in the public domain is able to be automatically collated and synthesised to provide a view of Defence capabilities and potential gaps. Ingestion of open source material has become exponentially easier and faster with progressively sophisticated artificial intelligence. For this reason, Defence will continuously need to assess the types of information that should be included in published reporting. Consideration will need to be given to whether particular information is suitable for release.

Defence continues to publicly report on key acquisition and sustainment projects in the Portfolio Budget Statements, the Portfolio Additional Estimates Statements, and the Defence Annual Report. However, the MPR remains the most detailed aggregate of performance information across a collective group of Defence projects in the public domain. As the MPR is externally reported, it must take into account national security considerations, including the ability of foreign services to consolidate information in the public domain.

Defence views the MPR as an important element of accountability and transparency to Parliament and the public. However for security reasons, some project performance information was withheld in the Project Data Summary Sheets (PDSS) of 20 of the projects included in the 2023–24 MPR.

This security review ensures that each individual PDSS reflects data at an ‘unclassified’ level, and confirms that the aggregated information is not a risk to national security and is suitable for public release through tabling in Parliament. Defence assessed that without sanitisation of the data, some details, both with respect to independent projects and in aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth. Defence acknowledges the ANAO’s Emphasis of Matter regarding Defence’s Security Management of Information Review. The ANAO was supplied with all information on the projects to conduct its assurance review, including all the material deemed not suitable for publication.

Defence remains committed to working collaboratively with the ANAO to ensure that the MPR remains contemporary and supports public transparency of Defence’s project performance within the context of the current security environment.

Lessons

The 2023–24 MPR included a qualification related to Defence’s overall capture and management of project lessons. The JCPAA guidelines require disclosure of a description of the project lessons learnt (at the strategic level). The Auditor-General expressed a qualified conclusion on the basis that, due to deficiencies in Defence’s processes, the ANAO is unable to obtain sufficient appropriate audit evidence to conclude whether the disclosure of the lessons learned is in accordance with the guidelines.

Defence has been working with the ANAO to determine what reasonable action is required to satisfy auditing standards to resolve this issue. Defence has been improving its governance processes surrounding lessons learned and Defence and the ANAO have agreed on an update to the 2025–26 MPR Guidelines to include an updated lessons section that captures the top five project-level lessons, in addition to the ongoing reporting of project strategic lessons.

The ANAO still has reservations regarding the system used for capturing lessons - the Defence Lessons Repository (DLR). The ANAO considers that it cannot rely on it to gain assurance over lessons learned due to deficiencies in application control processes. Defence will consider the ANAO recommendation that controls associated with the DLR be reviewed.

JCPAA Report 507 Recommendations – Defence Response

Concurrent with the tabling of the 2023–24 MPR on 18 December 2024, the Chair of the JCPAA released Report 507: *Defence 2022–23 Major Projects Report* on 17 December 2024. Report 507 finalised the JCPAA’s examination of the 2023–24 MPR.

Report 507 included four recommendations for implementation by the ANAO and Defence. The ANAO and Defence have subsequently agreed on an approach to address Recommendations 1, 3 and 4 of the report through updates to the 2025–26 MPR Guidelines. Subject to approval of the Guidelines, this approach would address the Recommendations in the following manner.

- Recommendation 1: The 2025–26 MPR PDSS template includes an updated lessons section that captures the top five project-level lessons, in addition to the ongoing reporting of project strategic lessons. Defence and the ANAO also have agreed to include the top five project-level non-strategic insights, observations or lessons in the 2024–25 MPR PDSS.
- Recommendation 3: Defence and the ANAO have agreed to update the 2025–26 MPR ‘Defence roles and responsibilities section to include a summary of costs of delivery of each project’s fundamental inputs to capability. The cost information will be drawn from Defence’s financial management information systems using the ‘Other Project Inputs to Capability’ data. Implementation will commence from the 2025–26 MPR cycle.
- Recommendation 4: Defence and the ANAO have agreed to update the ‘Defence roles and responsibilities section of the 2025–26 MPR Guidelines to include a high-level summary of modifications to scope, schedule and budget for ‘in-year’ and ‘life-to-date’ of each MPR project. Implementation will commence from the 2025–26 MPR cycle.

With respect to Recommendation 2, in which the JCPAA seeks an annual update by Defence to the JCPAA on the implementation of its improved governance and assurance process as it applies to acquisitions, Defence considers this can be addressed at one of the JCPAA’s biannual MPR review inquiries.

Opportunities to improve future Major Projects Reports

In its submission to the JCPAA’s inquiry into the 2022–23 MPR, Defence acknowledged the MPR’s relative scope and size when compared to similar reports of other nations.

For example, the United States Congressional Budget Office’s *June 2023 Weapon Systems Annual Assessment* considered 64 projects, with each performance review summarised in one or two pages. The United Kingdom’s (UK) *2022-23 Infrastructure and Project Authority* includes 244 of the UK’s largest and most complex projects, covering 21 Government departments, with 45 of these projects from the Ministry of Defence. The UK’s report provides a high-level paragraph or two and an overall traffic light rating per project.

Defence maintains the position that the MPR could evolve to present a holistic view of the Defence major project portfolio, similar to the approach taken by the US and UK. This could be done in a manner that still focuses on providing the Committee with meaningful and insightful view of financial performance, schedule delays and risks associated with project complexity and capability delivery.

Noting the current breadth of the report, Defence continues to observe that the MPR could be enhanced through analysis of key indicators including, for example:

- cost pressures, particularly those resulting in an infrequent real cost increase;
- internal and external schedule delays that impact on the achievement of operational capability milestones; and
- strategic or systemic risks to the achievement of project scope or scope changes as a result of performance issues.

Additionally, the presentation of financial data should more clearly delineate increases to a project's scope and where a project has real cost increases to approved scope. Very few of Defence's acquisition projects require real cost increases. As noted by the Australian Strategic Policy Institute, most cost variations in Defence projects come from two factors: scope increases and fluctuations in labour and exchange rates, rather than real cost increases.

Defence will continue to work with the ANAO to refine longitudinal analysis of the aggregate project data, with the intention of a meaningful and insightful understanding of the risks relating to financial and schedule performance associated with project complexity.

In addition, there is always potential for continuous improvement in the shorter term. These include removing areas of duplication, consolidating sections of similarity and increasing the use of graphical and pictorial representations; all of which may reduce the size of the report and make it easier to consume. Defence continues to work with the ANAO to improve the readability of the MPR.

Defence welcomes the Committee's consideration of its submission.