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**Joint Committee of Public Accounts and Audit
Answer to Questions on Notice**

Department/Agency: Australian National Audit Office

Inquiry: Inquiry into Defence Major Projects 2019–20

Date of inquiry: 15 September 2021

Committee Member: Senator Patrick

Type of question: Hansard, page 10 - 11

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Question

Senator PATRICK: ... I might just go to the Auditor-General and ask a question. If I take you to page 160 of the audit report, it says in relation to the Future Submarines:

Under the Submarine Design Contract, the Functional Ship Systems Requirements Review was scheduled for 31 Oct 19 and experienced a delay of five weeks to conduct of the review.

You might recall that we had discussions about this. In May last year we were talking about whether or not the time point was the entry point or the exit point for the review. It was established very clearly it was the exit point, but in May of 2020 we were well aware that that statement was incorrect. It was correct at the time when Defence were reporting, but for the mistake about the entry and exit. How do we get to a report that is released in November 2020 with information that is clearly wrong? I note, Auditor, you state in the audit report that you are absolutely satisfied that these PDSs that are provided by Defence are accurate. It's a clear mistake.

Dr Ioannou: Sorry, Senator, I think I lost your train of reasoning there. Could you just step through it again?

Senator PATRICK: You will see on page 160, where you're talking about the submarine schedule—this is Defence supplied information—it talks about a milestone that was scheduled for October 2019 and goes on to state that it experienced five weeks of delay. In actual fact, that milestone was never completed until about June. In May of 2020 we had a discussion about this and it was clearly established that that was wrong, yet five or six months later you released a report that allows that to go through as a statement of fact. It's just wrong.

Dr Ioannou: Sorry, I think we'll have to take that on notice. I think you're asking us to do a reconciliation against—

Senator PATRICK: Well—

Dr Ioannou: And of course there was a question on notice that I think you sent to us on some of these matters, where we went to Defence and consulted with them, and I think we responded. We'll just have to do a reconciliation on some of that.

Senator PATRICK: My concern here is that it's absolutely wrong. That milestone did not hit until, I think, closure in June of 2020. But in May of 2020 we had a detailed discussion. I remember asking Mr Sammut: was it entry point or exit point? The Auditor-General was very firm and in fact correct that it was the exit point and it had not been achieved. Yet the report as it stands has a factual error that somehow has slipped through.

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Response

Page 160 of Auditor-General Report No. 19 of 2020–21, *2019–20 Major Projects Report* is part of the Project Data Summary Sheet (the PDSS) prepared by Defence for SEA 1000 Phase 1B, Future Submarines Design Acquisition.

In its PDSS, Defence states:

Under the Submarine Design Contract, the Functional Ship Systems Requirements Review was scheduled for 31 Oct 19 and experienced a delay of five weeks to conduct of the review.

The five-week delay reflects that the Functional Ship Systems Requirements Review was conducted in December 2019 versus a planned date of October 2019.

Following the 20 May 2020 hearing for the Inquiry into the *2018–19 Defence Major Projects Report and the Future Submarine Project — Transition to Design* (Auditor General’s Reports 19 and 22 (2019–20)), the ANAO provided an answer to a Question on Notice [available online as a [submission](#) to that inquiry] regarding the 31 October 2019 review milestone. That answer outlined the evidence underpinning ANAO reporting of the date of the Systems Requirements Review as being a date for completion of the review.

Defence’s statement in the PDSS quoted above, that the conduct of the review was delayed for five weeks, related to the undertaking of the review, not to the formal exit of the review.

In terms of completion of this review milestone, at page 163 of the 2019–20 MPR, Section 3.1 of the SEA1000 Phase 1B Project Data Summary Sheet states that the Functional Ship Systems Requirements Review was forecast to exit in July 2020, a variance of 8 months. Note 2 to Section 3.1 of the PDSS states that “The Functional Ship Systems Requirements Review was held in December 2019. A series of actions were identified during the review to finalise the initial Functional Baseline, as well as traceability between the Technical Requirements Specifications and the Functional Performance Specification. These actions have progressed and formal exit from the review is expected in July 2020.” These additional actions undertaken account for the difference in time between conduct of the review and the forecast date of formal exit (the successful completion) of the review milestone.

The Statement by the Secretary of Defence, on p.121 of the 2019–20 MPR, under the heading Significant Events Occurring Post 30 June 2020 states that the review was exited in August 2020:

SEA 1000 Phase 1B – Future Submarines Design Acquisition
Since July 2020 there has been an update to the Design review progress. The Functional Ships. Systems Requirements (SSR) review for the Definition (DEF) Phase was exited in August versus July. In August, Naval Group completed or had agreed plans in place to satisfy the SRR(DEF) exit criteria. This delay in exiting SRR(DEF) has not resulted in any further impacts on the overall SEA 1000 Phase 1B schedule.