

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE **Inquiry into the 2015-16 Defence Major Projects Report** **Public Hearing Friday, 31 March 2017** **Canberra**

Agency: Australian National Audit Office

Topic: Capability Performance Assessments and Project Maturity Scores

Question on Notice: Written

Date set by the committee for the return of answer: Monday, 1 May 2017

Number of pages: 2

Questions:

- 1) Are Capability Performance Assessments and Project Maturity Scores performed with more rigor, consistency and meaningful results in other jurisdictions or equivalent project types? How could these be applied in Australia?
- 2) Can the ANAO comment on Defence's reported 99 per cent expected capability performance analysis scores if the LHD Landing Craft trials are so uncertain?

Answers:

- 1) Defence has used capability performance assessments and project maturity scores for internal reporting purposes and has adopted them for public reporting in the Major Projects Report (MPR). While the presentation has altered over time, they have been used since the first MPR (2007-08). Defence is best placed to advise the Committee whether its development of capability performance assessments and project maturity scores has been informed by comparative analysis of practices in other jurisdictions.

The JCPAA has previously recommended that Defence work with the ANAO to review and revise its approach regarding project maturity scores. Defence has advised the JCPAA (see pages 68-69 of the MPR) that it has engaged a contractor to develop a more appropriate methodology to support the presentation of maturity score graphs. Defence is best placed to advise the Committee whether this work will be informed by comparative analysis of practices in other jurisdictions. Defence has not yet consulted the ANAO on this work.

The ANAO noted at paragraph 38 of the 2015-16 MPR that Defence's presentation of capability delivery performance in Project Data Summary Sheets is a forecast and therefore has an element of uncertainty. The ANAO developed an additional measure of the status of current capability delivery progress to assist the Parliament—known as Capability Delivery Progress—which is a tally of the capability delivered as at 30 June 2016, as reported by Defence. This additional measure is discussed at paragraphs 38-39 and 2.49-2.59 of the MPR.

- 2) The Auditor-General reported—in his Independent Assurance Report on Defence’s Project Data Summary Sheets (PDSSs) for 2015-16 and the *Statement by the Secretary of Defence*—that a material inconsistency had been identified in the forecast information in section 4.1 of the LHD Landing Craft PDSS. The PDSS reported that materiel capability delivery performance was at 99 per cent, indicating a high degree of confidence that materiel capability performance would be met. Evidence to support the estimated 99 per cent was not available during the ANAO’s review (see page 130 and page 8 of the MPR).

Additionally, the ANAO commented that:

- the results of trials for the LHD Landing Craft project—relating to the ability of the landing craft to carry loads as heavy as the Army’s M1A1 Main Battle Tank—highlight that there remain significant issues to be addressed prior to project conclusion. These issues are not disclosed in the Defence PDSS as significantly impacting on the delivery of expected capability. This is reflective of the optimism of Defence’s capability delivery assessments and reporting (paragraph 41, PMR); and
- as reported by Defence to the JCPAA on 17 March 2016 during public hearings, trials to test the ability to transport an M1A1 Main Battle Tank are required prior to the achievement of Final Operational Capability. Subsequent trials conducted in May 2016 were unsuccessful. Carrying the M1A1 on the LHD Landing Craft requires the operation of the craft in an overload state. In consideration of the unsuccessful trials, the PDSS depicts that one per cent of capability for the landing craft is ‘under threat, considered manageable (Amber)’, based on a ‘professional assessment of what the residual risk to the delivery of capability is’. Empirical evidence to support the estimated 99 per cent was not available during the ANAO’s review (paragraph 2.48, MPR).

The Defence PDSS reported progress as at 30 June 2016. The 15 February 2017 *Statement by the Secretary of Defence* reproduced in the 2015-16 MPR provided the following update on the LHD Landing Craft:

- Head Navy Capability accepted the declaration of Final Materiel Release in December 2016. Final Operational Capability for the LHD Landing Craft capability is expected to be achieved in mid-2017. These platforms are part of the Amphibious Capability for which Navy is managing key test and evaluation activities to achieve Final Operational Capability (page 136, MPR).

The JCPAA has determined, through the 2016-17 MPR Guidelines, that the LHD Landing Craft be included in the 2016-17 MPR.