

Joint Committee of Public Accounts and Audit

Inquiry into the Defence Major Projects Report 2020-21 and 2021-22 and
Procurement of Hunter Class Frigates

Department of Finance

Response to Question on Notice

Hearing of 19 May 2023

Question on Notice 1 (page 21, Proof Hansard 19 May 2023)

CHAIR (Mr Hill): Would you accept that it should be part of your role to observe, on such a significant procurement, given that you are the custodian of the rules around procurement for the whole of government, whether a value for money assessment is undertaken? Isn't that a reasonable thing which ministers should expect you to do for them?

Mr Williamson: In our advice we could have made an explicit reference to saying that the value for money—

CHAIR: I know you could have. But should you have, and should you in the future?

Mr Williamson: We would look to do that in the future, yes, Chair.

Senator REYNOLDS: Would look to do it? Will do it? Are still considering doing it? May not do it? There are a wide range of possibilities in your answer.

Mr Williamson: Certainly. We can step through, at a high level, the nature of the advice that we provide to government on these matters, rather than on this specific one. We can step you through the role that Finance plays.

CHAIR: Can you take that on notice?

Senator REYNOLDS: I think we are very familiar with the role Finance plays.

CHAIR: You have been a defence minister. I haven't. I would appreciate it if you would take that on notice.

Mr Williamson: Happy to take that on notice. We will look at the exact language we use in providing that advice.

Response

In advising on Defence capability acquisition proposals, Finance reviews cost models developed by Defence, and provides a Cost and Risk Statement for inclusion in Cabinet Submissions in which funding is sought.

In reviewing Defence's cost model, Finance assesses: whether costs sought and whole-of-life acquisition and sustainment costs estimates are affordable, overall and in-years, from within the relevant funding provision; the methodology and information used to validate cost drivers; the maturity of the cost estimates; how cost risks have been determined; risk reduction strategies; and other project risks including technical, workforce and schedule risks.

Finance's Cost and Risk Statement, informed by review of Defence's cost model, provides Finance's assessment of the quality and affordability of the costs being sought, and advice on key project risks and mitigation strategies proposed by Defence to address these risks.

Finance also supports the Minister for Finance in their consideration of decisions sought from Government. Such advice typically outlines Defence's assessment of the relative merits of the options under consideration; the affordability of the funding being sought and whole-of-life costs; and advice on key project risks including technical, cost, schedule and workforce risks.

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Response to Question on Notice

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Question on Notice 2 (page 25, Proof Hansard 19 May 2023)

Senator REYNOLDS: Before this report, was Finance aware that they had never called this out, that there wasn't a value for money assessment done on this project, or was this Auditor-General's report the first time that it came to your notice?

Mr Williamson: I would have to take that on notice.

Senator REYNOLDS: Can you take that on notice and see whether you can find anything in your records about why this wasn't called out at the time by Finance?

Mr Williamson: Yes.

Response

To support Government consideration of the Hunter Class frigate capability acquisition, and consistent with other capability acquisition submissions (Question on Notice 1 refers), Finance prepared a Cost and Risk Statement which was incorporated in the Second Pass Cabinet submission, including advice on cost quality, in-year and overall affordability, and cost risks.

In formulating its advice to Government, Finance drew on information provided by Defence throughout the procurement process including the quality of the goods to be acquired, how well they would meet their intended purpose, relevant experience and performance history of potential suppliers and whole-of-life costs. Finance highlighted these Defence considerations in its advice to Government.

Consistent with the approach taken by Finance in advising Government on capability acquisition submissions, Finance did not directly reflect on Defence's assessment processes.