



O/GBM/2017/OUT/37

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDITS REPORT NO. 468:
DEFENCE MAJOR PROJECTS REPORT (2015-16)**

DEFENCE PROGRESS REPORT ON RECOMMENDATIONS

References:

- A. Joint Committee of Public Accounts and Audit (JCPAA) Report No. 468: Defence Major Projects Report (2015-16) Review of Auditor General's Report No 40 (2016-17).

Reference A requested a progress report be provided to the Committee on recommendations One, Two and Four prior to the first sitting week in 2018 or three months from tabling. Detailed below is the Defence progress report on all four recommendations.

Recommendation 1: *To ensure consistency with project level risk information and to improve reliability, the Committee recommends that the Department of Defence review the procedure for the development of expected capability estimates for future Major Projects Reports. The outcome of this review should be provided to the Committee within six months of the tabling of this report. Further, the Committee requests that Defence provide a progress report within three months of the tabling of this report.*

Response: Agree

Defence are of the view to fully address this recommendation it must be completed in two stages.

Short Term:

- Work with the Australian National Audit Office (ANAO) to identify what capability estimates can be measured. At this point in time, Defence is not in a position to measure all Fundamental Inputs to Capability (FIC), which limits the level of 'capability' reporting to measuring only materiel project scope.
- Review and standardise the process for reporting Measures of Effectiveness within the Materiel Acquisition Agreements (MAA) to ensure a more consistent level of materiel scope reporting within Capability Acquisition and Sustainment Group's (CASG) Monthly Reporting System (MRS).
- Ensure the CASG Independent Assurance Reviews (IAR) evaluate the materiel scope forecasts, reported in MRS, at each performance IAR for all MPR projects.

Work achieved to date:

- CASG has commenced discussion with ANAO about the future reporting of capability estimates to seek their views on how we could improve on the current level of reporting.

- CASG has commenced a review into the Measures of Effectiveness within each MPR projects MAA with a view to standardise (where possible) the level of reporting in MRS.
- The IAR team has agreed to undertake a review of the materiel project scope at each performance IAR for all MPR projects. This requirement has been included in the IAR procedures.

It is expected that the benefits of these short term actions and work conducted to date will start to be realised progressively within the 2017-18 MPR.

Long Term:

- CASG will work with Vice Chief of Defence Force (VCDF) Executive to identify how to best measure capability, that considers all elements of FIC, and that is suitable for unclassified publication.
- Defence is working toward rolling out a new Enterprise Resource Planning system from 2020. CASG will ensure that this system incorporates the Capability measurement and reporting requirement agreed with VCDF Executive.

Recommendation 2: *The Committee recommends that the Department of Defence:*

- *Commence discussions with the Australian National Audit Office on updating Project Maturity Scores, with a view to advising the Committee on a way forward prior to the first sitting week of 2018*
- *Provide the Committee with an update on the progress of this dialogue within six months of the tabling of this report.*

Response: Agree

Defence are of the view to fully address this recommendation it must be completed in two stages.

Short Term:

- CASG to review and update the current DMSP (PROJ) 11-0-007 to identify improvements and to ensure it reflects the contemporary requirements of the Department.
- Ensure IARs test the veracity of the Project Maturity Scores for all individual projects as each project goes through their performance IAR.
- CASG to reinvigorate the discipline within projects to meet the requirements of DMSP (PROJ) 11-0-007 through the Program Management Centre of Expertise Domain Functional Leads and the next update of the CASG Project Management Manual.
- Raise the profile of the Project Maturity Scores further by including them in the CASG Quarterly Performance Report (QPR).

Work achieved to date:

- CASG is currently in the process of reviewing the DMSP (PROJ) 11-0-007.

- The IAR team have agreed to examine the Project Maturity Scores as a project progresses through their performance IAR. This requirement has been included in the IAR processes.
- CASG has included the requirement to report Project Maturity Scores in the current December QPR.

It is expected that the benefits of these short term actions and work conducted to date will start to be realised progressively within the 2017-18 MPR.

Long Term:

- CASG to work with VCDF Executive and the ANAO to ensure the new Enterprise Resource Planning system to be rolled out from 2020 covers the requirements outlined in the revised DMSP.

Recommendation 3: *The Committee recommends that the Department of Defence examine the guidelines and methodology used by the United Kingdom's Ministry of Defence to report on major projects, and report back to the Committee within six months of the tabling of this report. Defence's report back to the Committee should consider whether any features of the United Kingdom's guidelines and methodology would enhance major projects reporting in Australia. If Defence finds the United Kingdom's guidelines and methodology unsuitable, the Committee requests that Defence provide reasons why they reached this conclusion.*

Response: Agree

- CASG are currently conducting a desktop review of the UK Major Projects Report and the final review and analysis will be provided to the Committee within the six month timeframe.
- CASG have contacted the Australian Embassy in London seeking their assistance in contacting the UK Ministry of Defence for further information and insight.

Recommendation 4: *The Committee recommends that the Department of Defence devise a single methodology to calculate the cost per flying hour for fixed wing aircraft and helicopters, and use this single methodology in all internal and public reporting and in responses to queries from the Australian National Audit Office. Defence should provide this information to the Committee prior to the first sitting week of 2018.*

Response: Agree

- CFO has taken the lead on recommendation four and discussions have occurred regarding the policy on costing flying hours. The CFO Group is currently consulting with a range of stakeholders in Defence, given that all three Services have aviation fleets. Early discussions have raised technical issues, particularly regarding comparing data across different aviation platforms.
- It is expected that Defence's position on a single costing methodology will be settled by early 2018. If mandating the use of FINMAN 4 costing data is the agreed approach, an update of FINMAN 4 could be complete by the end of 2018.

An update on the progress of all four recommendations will be supplied to the Committee prior to the 2016-17 Major Projects Report (MPR) hearing, expected to be held early 2018.

Should you or any of your staff have any queries, please contact Peter Etherington, Director of Program Approvals and Agreements, on .

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