

25 September 2018

Senator Dean Smith
Chair
Joint Committee of Public Accounts and Audit
By email: jcpaa@aph.gov.au

Dear Senator Smith

Recommendation No 5. JCPAA Report 470 *Defence Sustainment Expenditure*

I am writing in response to Recommendation 5 in the Joint Committee of Public Accounts and

Audit's (JCPAA) Report 470: *Defence Sustainment Expenditure*.

In that report, the Committee recommended that I consider 'reviewing the Department of Defence's new Monthly Reporting system and documentation including advising whether there have been improvements in reporting to the Minister and Secretary, and that the information provided via reporting is timely and accurate.'

There are several major components to the reporting system used by Defence, encompassing both acquisition project reporting and sustainment reporting and I wish to ensure that any potential audit encompasses those aspects of most interest to the Committee.

In the context of its inquiry into Defence's sustainment expenditure, the Committee was interested in the progress made by Defence in establishing consistent reporting on its sustainment products. As noted in paragraph 3.62 of Report 470, Defence advised the committee that it was 'moving from a monthly reporting system to an automated sustainment monitoring report' and as a result 'the division heads [were getting] a much clearer performance metric...'. On this basis, I included in my 2018 Annual Audit Work Program a topic on 'Defence's Sustainment Performance Management System' to audit the governance, use and quality of data within the sustainment monitoring system. The Committee identified that topic as an audit priority of the Parliament.

In preparing this response, I have reviewed the Hansard record of the Committee's inquiry. I note that the Deputy Secretary of Defence's Capability Acquisition and Sustainment Group advised the Committee (Hansard, 16 August 2017, pp. 9-10) that Defence was undertaking the changes necessary to address Recommendation 1 made in Auditor-General Report No.2 2017-18 *Defence's Management of Material Sustainment* regarding the Quarterly Performance Report. Recommendation 1 was that 'Defence institutes a risk-based quality assurance process for the information included in the Defence Quarterly Performance Report'.

The Capability Acquisition and Sustainment Group's Quarterly Performance Report includes information about the performance of sustainment and acquisition activities based on data recorded in the Sustainment Performance Management System and the Monthly Reporting System. The Deputy Secretary indicated in his testimony that Defence would have a 'much better reporting system' by the end of the year (2017) to support the quality of the quarterly report provided to Ministers and the Secretary of Defence.

On that basis, if I decide to proceed with the audit of Defence's Sustainment Performance Management System, I will also consider expanding the audit to assess the governance, use and quality of data within the performance management and reporting systems for both acquisition and sustainment that inform the preparation of the Quarterly Performance Report.

Yours sincerely



Grant Hehir

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