



Australian Government

Joint Committee Public Accounts and Audit

Report 475:

Defence First Principles Review, Naval
Construction and Mental Health in the AFP

October 2020

Response to the recommendation

Recommendation 5

The Committee recommends that the Department of Defence should review its requirements around quality of sustainment costing at the second-gate process and update the Committee on outcomes of this review and any changes necessary to its capability lifecycle manual.

Implemented:

The department of Defence has completed the review of the Capability Life Cycle which saw requirements of sustainment costing at the second-gate process. This led to the inclusion of the below paragraphs in the updated CLC Manual (v2.0)

Cost Estimation.

5.41 Costs are estimated for each option to be presented to Government. The cost estimates allow decision-makers to understand and directly compare the whole-of-life costs associated with each option. The financial implications of all Cabinet Submissions must be reviewed and endorsed by DFG before lodgement. The Department of Finance provides advice on the presentation of cost information and reviews costings prior to their submission to Government.

5.42 For most projects costs will be based on high quality evidence, drawn from tenders and other high quality sources and complete cost breakdown structures. Facilities and infrastructure, which require consideration by the Parliamentary Joint Standing Committee on Public Works prior to a Request for Tender being issued, require cost estimates at a P80 confidence level.

Currently the CLC Manual only contains one reference to “tender quality” costs, which does not suggest that this is an obligatory process:

5.45 Industry Solicitation and Evaluation. Defence can formally conduct industry solicitation in order to obtain tender quality information around cost, scope, schedule and Australian Industry Capability.

This Recommendation is now closed.