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Opening Statement by Mr Ian McPhee, Auditor-General

JCPAA Public Hearing Wednesday 13 March 2013

ANAO Report No.15 2012–13 2011–12 Major Projects Report

The 2011–12 Major Projects Report (MPR) is the fifth review by the ANAO of selected major Defence equipment acquisition projects (Major Projects). The MPR represents the continued commitment towards improving the transparency and public accountability across Defence's Major Capital Investment Program by the JCPAA, the ANAO and the DMO.

The ANAO has received positive feedback in support of the review from the media and other independent organisations, which has been reinforced by the external stakeholder survey the DMO undertook in 2012.

Acquiring and sustaining capability for the Australian Defence Force is critically important work and this report provides an update on 29 of the most significant projects managed by the DMO. Consistent with previous years, maintaining Major Projects on schedule remains the most significant challenge for the DMO and its industry contractors; in turn affecting when the capability is made available for operational release and deployment by the Australian Defence Force.

ANAO analysis illustrates that older projects, which achieved Second Pass Approval prior to 2005, generally experienced the most slippage. Additionally, these projects tend to be more developmental in nature.¹ While post-2005 projects may not have had time to realise all potential slippage, continued focus by the DMO will continue to provide benefits in slippage reduction.

¹ Australian National Audit Office, *2011–12 Major Projects Report*, pp. 70–71.

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For the first time, the 2011–12 MPR includes a project financial assurance statement within each PDSS, specific to each project. The project financial assurance statement is intended to provide readers with a clear articulation on a project's financial position and to provide transparency in regard to 'whether there is sufficient budget remaining to deliver the materiel element of capability...'.²

Of particular interest, and noting the overarching assurance provided by the CFO that there is sufficient budget remaining to deliver the remaining elements of capability, six projects separately identified areas of concern which will need to be carefully managed. Those projects were: AWD Ships; MRH90 Helicopters; Overlander Vehicles; LHD Ships; ANZAC ASMD 2B and Additional Chinook.

Additionally, the DMO continues to expect to deliver almost all capabilities associated with the Major Projects in this report.

This report builds on the earlier work by the DMO and the ANAO to improve the transparency of, and accountability for, the status of Major Projects for the benefit of the Parliament, the Government and other stakeholders. I am confident that the increased transparency and public accountability will continue to assist the Committee, the Parliament and other key stakeholders, and assist the DMO in pursuing its project management improvement agenda.

In closing, I would like to acknowledge the strong working relationship between the ANAO and the DMO in the continued development of the Major Projects Report, and Defence and industry stakeholders who also provide valuable input in assisting the ANAO with the reviews. Thank you.

² Joint Committee of Public Accounts and Audit, Report 429, *Review of the 2010–11 Defence Materiel Organisation Major Projects Report*, May 2012, Appendix E, p. 67.