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The Parliament of the Commonwealth of Australia

Report 456  
Defence Major Equipment  
Procurement and  
Evaluation, and Great  
Barrier Reef Regulation

**Review of Auditor-General Reports Nos 51-52 (2014-15) and  
Nos 1-10 (2015-16)**

Joint Committee of Public Accounts and Audit

May 2016  
Canberra

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## Foreword

In this report the Committee chose to inquire into the following three audit reports in detail:

- *Defence Medium and Heavy Vehicle Fleet Replacement: Land 121 Phase 3B* (ANAO Report No. 52, 2014-15)
- *Regulation of Great Barrier Reef Marine Park Permits and Approvals* (Audit Report No. 3, 2015-16)
- *Test and Evaluation of Major Defence Equipment Acquisitions* (Audit Report No. 9, 2015-16)

The key theme emerging from the Committee's inquiries was the importance of effective risk management.

The Committee was strongly concerned that shortcomings in regulating the permit system for the Great Barrier Reef Marine Park may be undermining the system as a means of managing risks to the Park. The Committee's key recommendations were that the Authority accelerate its projected timeframe for implementation of the ANAO audit recommendations and report back on progress to the Committee.

Effective risk management in the context of procurement was emphasised in the Committee's inquiry into Defence's medium and heavy vehicle fleet replacement program (Land 121 Phase 3B). The Committee notes the failed first tender process for this matter resulted in an estimated seven-year delay to delivering new vehicles and a need to sustain the existing fleet far beyond initial specifications. The Committee requested evidence that Defence has adequately learnt and embedded the lessons from this acquisition.

Effective risk management in the context of procurement was again emphasised in the Committee's inquiry into Defence's test and evaluation (T&E) processes for major equipment acquisitions. Several past ANAO audits and external reviews have identified deficiencies in aspects of Defence's T&E program. The Committee found that good progress has recently been made by Defence, but the Committee

has asked Defence to provide an update report on future improvements to the governance of T&E under the *First Principles Review*, amongst other matters.

Over the 44th Parliament, the Committee has conducted 25 separate inquiries on matters in ANAO reports, brought together in eleven reports tabled in the Parliament. Through its inquiries, the Committee has investigated a diverse range of matters involving significant public expenditure, including: major grants programs; Centrelink services; Commonwealth cyber security; regulation of the Great Barrier Reef; Medicare services; compliance with the *Environment Protection and Biodiversity Conservation Act 1999*; and Defence major projects.

The Committee examines a broad range of evidence when determining its report comments and recommendations. In addition to the ANAO reports, the Committee receives submissions from audited agencies and the public, and conducts public hearings. To provide broader context, the Committee also considers the relevant public sector frameworks – including the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), rules and guidance – and findings of other relevant reviews, reports and audits.

I thank Committee members, past and present, for their deliberation on these important matters. I also thank agency representatives who appeared at public hearings for assisting the JCPAA in its important role of holding Commonwealth agencies to account for the efficiency and effectiveness with which they use public monies.

Hon Ian Macfarlane MP  
Chair





## Membership of the Committee

Chair      Hon Ian Macfarlane MP

Deputy  
Chair      Mr Pat Conroy MP

Members   Hon Anthony Albanese MP

Ms Gai Brodtmann MP

Mr Andrew Giles MP

Dr David Gillespie (from 19 Oct 2015)

Dr Peter Hendy MP (to 12 Oct 2015)

Mr Craig Laundry MP

Mrs Jane Prentice MP

Mr Angus Taylor MP

Mr Ken Wyatt MP (to 12 Oct 2015)

Senator Cory Bernardi

Senator Katy Gallagher (until 12 Nov 15)

Senator Chris Ketter

Senator Jenny McAllister (from 12 Nov 15)

Senator Bridget McKenzie

Senator Dean Smith

## Committee Secretariat

Secretary	Mr David Brunoro
Inquiry Secretary	Dr Kate Sullivan
Research Officer	Dr Andrew Gaczol
Administrative Officer	Ms Tamara Palmer



## Terms of reference

Having considered Auditor-General Reports Nos 51-52 (2014-15) and Nos 1-10 (2015-16), on Thursday 3 December 2015, the Joint Committee of Public Accounts and Audit (JCPAA) resolved to review the following audit reports in detail:

- Audit Report No. 52 (2014-15) *Australian Defence Force's Medium and Heavy Vehicle Fleet Replacement (Land 121 Phase 3B)*
- Audit Report No. 3 (2015-16) *Regulation of Great Barrier Reef Marine Park Permits and Approvals*
- Audit Report No. 9 (2015-16) *Test and Evaluation of Major Defence Equipment Acquisitions*

Under section 8 of the legislation establishing the JCPAA, the *Public Accounts and Audit Committee Act 1951*, one of the duties of the Committee is to 'examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament' and 'report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those ... reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament'.



# List of recommendations

## 2 ADF's Medium and Heavy Vehicle Fleet Replacement (Land 121 Phase 3B)

### Recommendation 1

The Committee recommends that the Department of Defence provide evidence to the Committee that the lessons learnt from the failed first tender process for LAND 121 Phase 3B have been incorporated into the department's standard operating procedures for acquisitions. This evidence can take the form of:

- revised manuals;
- specific internal case studies and training briefings; and
- any other relevant material.

## 3 Regulation of Great Barrier Reef Marine Park Permits and Approvals

### Recommendation 2

To improve the effectiveness of the permit system as a means of managing risks to the Great Barrier Reef Marine Park, the Committee recommends that the Great Barrier Reef Marine Park Authority (GBRMPA):

- appropriately accelerate its projected timeframe, currently planned over two tranches in 2017 and 2020, for implementation of the audit recommendations in ANAO Report No. 3 and other improvements identified by GBRMPA as part of its project to strengthen the permit system
- report back to the Committee within six months with details of new implementation dates and milestones, and how the accelerated timeframe will be achieved

### Recommendation 3

To improve the effectiveness of the permit system as a means of managing risks to the Great Barrier Reef Marine Park, the Committee recommends that the Great Barrier Reef Marine Park Authority implement more effective performance information, including targets, for permit application processing, assessment and approval timeframes, and continue to monitor and publicly report on performance outcomes in this area.

### Recommendation 4

To improve the effectiveness of the permit system as a means of managing risks to the Great Barrier Reef Marine Park, the Committee recommends that the Great Barrier Reef Marine Park Authority report back to the Committee at 18 months from the tabling of the Committee's report, on:

- whether it has met the new implementation dates and milestones as previously advised to the Committee in response to recommendation 1
- specific implementation details and dates achieved on the following:
  - ⇒ for permit application processing, assessment and approval – finalisation of standard operating procedures, guidance materials, and improvements in: documentation by officials, templates, assessment reports and standard permit conditions
  - ⇒ for compliance management – finalisation of standard operating procedures and implementation of a risk-based program
  - ⇒ for response to non-compliance – finalisation of guidance materials and improvements in: identification of non-compliance, records management, documentation by officials and verification of enforcement action having been undertaken prior to closure of investigation

## 4 Test and Evaluation of Major Defence Equipment Acquisitions

### Recommendation 5

To promote continued improvement in test and evaluation (T&E) of major equipment acquisitions by the Department of Defence, the Committee recommends that the department report back to the Committee at 12 months from the tabling of the Committee's report, on:

- how T&E is being coordinated across the department and how this coordination is consistent with the recommended outcomes of the First Principles Review: Creating One Defence (2015)
- key improvements to T&E performance monitoring and reporting
- each element of the Australian National Audit Office recommendation on T&E competency and training, including the key findings of and actions from the competency and training needs analysis