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2014–15 Major Projects Report

ANAO Report No.16 2015–16

Opening statement by the Auditor-General

JCPAA Public Hearing 17 March 2016

1. Good morning Chairman and committee members.
2. The 2014–15 Major Projects Report, tabled 15 January 2016, is the eighth review by the ANAO of selected major Defence equipment acquisition projects (Major Projects). These projects are now managed by the Department of Defence, following the re-integration of the Defence Materiel Organisation's functions into the department. In the future, the new Capability Acquisition and Sustainment Group will have primary carriage of the Major Projects Report on behalf of Defence.
3. Defence's Major projects have continued to be the subject of considerable parliamentary and public interest and the 2016 Defence White Paper sets out the Government's priorities for future capability investment. The Government plans to increase Defence's overall budget to \$42.4 billion by 2020-21, by which time it is expected to reach two percent of gross domestic product.
4. The 2014-15 Major Projects Report provides assurance on the reported progress on 25 of the most significant Defence projects, with an approved budget totalling \$60.5 billion as at 30 June 2015.
5. My review conclusion (p.143) was that nothing has come to my attention that causes me to believe that the information and data in the PDSSs, within the scope of my review, has not been prepared in all material respects, in accordance with the Guidelines.

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6. Key observations from the 2014-15 MPR review by the ANAO are that:
 - all projects except for Air Warfare Destroyer Ships (AWD Ships), reported that they could complete against the agreed scope, within their approved budget. The 2014–15 *Statement by the Secretary of Defence*, acknowledges the \$1.2 billion real cost increase, approved for the AWD Ships project in July 2015;
 - schedule slippage remains an ongoing challenge for Defence, particularly for projects regarded as Australianised military-off-the-shelf and developmental; and
 - the likelihood of delivering the key capabilities is in some cases overly optimistic, the result of an immature assessment framework.
7. Finally, consistent with our past reporting, our ongoing longitudinal analysis indicates that:
 - projects are managing within their approved budget (AWD Ships excepted);
 - when projects slip schedule, they generally continue to do so; and
 - military-off-the-shelf (MOTS) projects tend to be delivered on time.
8. The review team and I would be happy to answer any questions the Committee may have.

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