



## **Australian Government**

Australian Government response to the  
Joint Committee of Public Accounts and Audit interim report:

Inquiry into the Defence Major Projects Report 2020–21 and 2021–22 and  
the Procurement of Hunter Class Frigates

DECEMBER 2023

## EXECUTIVE MINUTE

on

### JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

#### REPORT 496

#### INQUIRY INTO THE DEFENCE MAJOR PROJECT REPORTS 2020-21 AND 2021-22 AND PROCUREMENT OF HUNTER CLASS FRIGATES

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#### General Comments

Defence acknowledges the observations of the Joint Committee of Public Accounts and Audit ('the Committee') in Report 496 that specifically addresses the 2020-21 and 2021-22 Major Projects Reports (MPR). Defence agrees with all three recommendations the Committee has made, and has made improvements in policies and practice since the development of the last MPR.

#### Recommendation No: 1

*The Committee recommends that the Department of Defence updates internal governance to require decisions for projects to enter the Projects of Interest or Projects of Concern list be actioned in a timely manner, taking no more than three months between decision and implementation.*

**Summary of response:** Agreed

#### Supporting rationale:

Defence acknowledges the Committee's concern that projects must be elevated to Projects of Interest or Concern in a timely manner, as a result of the issues identified in the 2021-22 Major Projects Report regarding the Civil Military Air Traffic Management System project.

Defence has implemented reform measures announced on 10 October 2022 by the Deputy Prime Minister and the Minister for Defence Industry to strengthen and revitalise the Projects of Concern process. A revised policy on the performance reporting and the Projects and Products of Interest and Concern regime was introduced in February 2023.

The policy provides specific guidance on timeframes to action the advice and remediation planning for Project of Interest or Concern. Advice to the Group Head must be provided within one month of the need for consideration of elevation being identified. In the case of Projects of Interest, the Group Head is the decision-maker. Should the Group Head determine that the project should be elevated to a Project of Concern that advice is to be provided to the Minister for Defence Industry within two weeks. A remediation plan is to be in place within three months of the decision.

## Recommendation No: 2

*The Committee recommends that the Department of Defence provide a detailed update on the implementation of and compliance with internal policies for contingency funding and Lessons Learned for Major Projects.*

**Summary of response:** Agreed

### **Supporting rationale:**

Defence has been supporting its major project teams with additional guidance and assistance to improve their compliance with policies and processes associated with project management. Defence is seeing positive signs that the contingency funding and lessons learned policies are being adhered to across the MPR projects, and continues to assess compliance across all major projects.

#### *Contingency funding*

In accordance with the existing Defence contingency management policy, if a major project is unable to manage a contingency event within its approved budget allocation, it must enter a formal process to access contingency provisions. The Capability Acquisition and Sustainment Group Risk Management Manual specifies the requirement for a major project to maintain a contingency budget log, an artefact required for the contingency application process.

The requirement for submission of the contingency log, to be assessed as part of the contingency application process, ensures that major projects maintain a record of management decisions relating to the emergence and realisation of contingent events. This enables the project to be able to access contingency.

An assessment of the projects in scope of the 2022-23 Major Project Report identified that all five projects that had used contingency had linked this to a risk in their respective logs, and followed the Defence policy. Defence continues to assess compliance for all major projects.

#### *Lessons learned*

Since the release of the Capability Acquisition and Sustainment Group (CASG) revised Lessons Program Policy in 2022 (with which all MPR projects must comply), Defence has continued to improve the way that lessons are captured and shared for major projects.

Observations, insights and lessons are captured within the Defence Lessons Repository. Under the CASG Lessons Program, major projects must develop a Lessons Collection and Management Plan, which draws on existing information in the Defence Lessons Repository relevant for their project planning and management. The Plan also requires the project to record their own observations, insights and lessons. This process supports the planning of future projects.

In addition to policy, there are a range of other ways that lessons information is shared and utilised. Lessons panels are held on specific projects, where the project team and their leaders provide insights and advice to an audience of senior leaders and project teams across CASG. Case studies are also developed to share knowledge more broadly. Additionally, systemic themes from the Defence Lessons Repository are analysed and fed back into policy and training.

Defence is undertaking specific action to record the lessons from previous exited Major Projects in the Defence Lessons Repository. This includes the issues identified regarding compliance with contingency management and lessons learned policies.

An assessment of the projects in scope of the 2022-23 Major Projects Report identified that all of the projects have related lessons information available within the Defence Lessons Repository. Defence has reinforced with its project teams the requirement for capturing lessons in the repository and is monitoring this and providing assistance to project teams to ensure this occurs.

### Recommendation No: 3

*The Committee recommends that the Department of Defence provide an update on the requirements and consideration process to close recommendations from the Australian National Audit Office and the Joint Committee of Public Accounts and Audit, including an explanation as to why Recommendation 4 of Report 489: Defence Major Projects Report 2019-20 has been closed without meeting its intended purpose.*

**Summary of Response:** Agreed

#### **Supporting Rationale:**

With regard to Recommendation 4 of Report 489: Defence Major Projects Report 2019-20, Defence understood the Committee was seeking Defence to better define the declaration of operational capability milestones. Defence determined that, going forward, there would be only two authorised terms describing a delta or deviation from achievement of project milestones - 'caveats' and 'deficiencies'. These were updated in Defence policy in December 2022.

Defence acknowledges that "the definition of the two terms does not meet the intention of the Committee's recommendation to clarify any term relating to a deviation from project milestones being achieved". Recommendation 4 of Report 489 was closed in accordance with Defence's recommendation closure policy and process, with Defence advising the Joint Committee of Public Accounts and Audit of audit closure of Recommendation 4 of Report 489, via a tabling document on 1 June 2023.

Defence's intention in responding to Recommendation 4 was to identify to the Committee that there would only be two terms going forward. Defence intended to define any remaining legacy references in the 2022-23 Major Projects Report via its glossary and accepts that the response to the recommendation would have benefited from that clarification. There are three projects that use the legacy term 'exception' from 2021 in relation to achievement of project milestones in the 2022-23 Major Project Report. Definitions of 'exception', 'issue' and 'risk' were included in the 2022-23 Major Projects Report glossary.

All projects will adhere to the endorsed terms of 'caveats' and 'deficiencies' going forward.

With regard to the process to close recommendations from the Australian National Audit Office (ANAO) and the Joint Committee of Public Accounts and Audit, Defence's Chief Audit Executive provides independent and objective assessment of evidence to show the requirements of the recommendation have been met to close recommendations. Once the Chief Audit Executive approves closure of the Parliamentary recommendation, Defence will provide a response back to the relevant committee.

The status of recommendations, including when they are considered implemented, is also reported regularly to the independent Defence Audit and Risk Committee. The ANAO are provided these updates on the status and closure of audit recommendations, as they are permanently invited guests to the Defence Audit and Risk Committee meetings.

In 2021, the ANAO conducted the *Implementation of ANAO and Parliamentary Committee Recommendations Audit (Audit 34 of 2020-21)* to examine whether the Department of Defence implemented a selection of agreed parliamentary committee and ANAO performance audit recommendations. One of the key criteria was to assess if Defence had appropriate governance arrangements in place to respond to, monitor and implement recommendations. The ANAO audit acknowledged Defence had appropriate governance arrangements for responding to, monitoring and

implementing ANAO recommendations and partially appropriate governance arrangements for parliamentary recommendations.

In response, Defence reviewed its existing recommendations processes and revised them to establish a clear line of sight of the process, roles and responsibilities for responding to and implementing recommendations for internal and ANAO audits and parliamentary committee recommendations.

The ANAO does not require Government departments to provide advice on the status or closure of ANAO performance audit recommendations. Defence prepare a closure pack for the ANAO to assess the remediation of financial statement audit findings. In addition, as detailed above, the ANAO are permanently invited guests of the Defence Audit and Risk Committee meetings where the status and closure of ANAO and Parliamentary recommendations are discussed.